

Financing for development: a monetary issue in which money does not have a word

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Abstract

This paper focuses on the problematic of financing for development (FfD). By reviewing current FfD discourses and practices, we emphasize the theoretical grounds on which they are standing. We show that the prevailing doctrine only fits into particular economic theories, and has political implications important to be considered. In particular, the prevailing FfD approach neglects monetary dimensions. By reintegrating money into the financing for development problematic, the current paradigm appears inconsistent and alternative means and tools can be considered. Social and complementary currencies (SCCs) are part of them. We here explore their participation and potentials regarding our problematic.

Keywords: development financing, money, social and complementary currencies

Introduction

Last July, the international community gathered in Addis-Ababa for the United Nations International Conference on Financing for Development. Despite this rendezvous being the third one, after Doha in 2009 and Monterey in 2003, financing for development (FfD) remains a critical issue, especially for the so-called “least developed countries” (LDCs). Despite diverse public and private commitments, how to fund the three to five trillion dollars a year of investments needed to meet the newly adopted Sustainable Development Goals (SDGs) is still uncertain. In the meantime, 2.2 billion people are still living with less than two dollars a day, according to the World Bank.

Development is a challenging concept to delimit and define, a concept which can encompass a wide range of different dimensions: from monetary wealth to democracy, from social cohesion to environmental embeddedness. Throughout the various agendas it has been assigned to, various qualifiers have been attached to this concept: “human”, “inclusive”, “local”, or “sustainable”... In order to avoid the long and lasting debate around the concept of development (Rist 2008), and to limit the discussion to the economic field, we here define development as the process through which demand-oriented productive capacities are created or expanded, income is generated, and living standards are raised. So the process through which people, individually or collectively, increase their purchasing power, allowing them to fulfil their needs and aspirations.

Financing for development can consequently be defined as the act of making available the resources requisite for the development process to take place, or, more precisely, as the allocation of the monetary resources which will allow to initiate or sustain this development process. Therefore, development financing is intrinsically a monetary issue. To fully address this problematic implies to treat it as such. The purpose of this paper is to show that it has not been so: the monetary nature of the problematic of financing for development has not been recognized – or has been overshadowed – and financing for development has only been treated as a financial problematic. As we will see, this has political implications important to be discussed. We here argue that by considering the financing for development problematic as a monetary problematic, and by understanding the nature of money, the scope of means and tools workable to address the financing for development problematic could be widened, social and complementary currencies becoming part of them.

In the first part of this paper, we will review the current financing for development paradigm and exhibit its implications for developing countries. We will see that this prevailing paradigm fits only in a particular theoretical framework. We will then focus on money itself: we will emphasise that it is by nature endogenous to economies, and that it also forms an institution as well as a social link among societies. Following these approaches to money, the financing for development paradigm will appear as being theoretically inconsistent. Preferring social innovation to financial engineering, we will see that social and complementary currencies (SCCs) may actually be closer to monetary theories than the current financing for development discourses and practices. We will finally discuss the potential of these tools in regard of the financing for development problematic.

I. The current financing for development paradigm and its implications

Reviewing financing for development negotiations and discourses, especially those held and produced by the United Nations and applied by other international organizations such as the World Bank and the International Monetary Fund, it appears useful to emphasize the applied doctrine, in order to confront it to economic and monetary theories.

Following the diagnoses made about and the recommendations given to developing countries, national economies can be in different situations, depending on their economic characteristics, these situations affecting their abilities to finance their development (see for example Sadigh 1994). On the one hand, if national economies have a sufficient domestic saving level or generate a trade surplus, then they are able to finance their development. In that case, resources generated by the economy are available for spending and investment. But on the other hand, if national economies do not generate enough resources through these channels, then they are said as not having any autonomous financing capacities: they have to rely on external financing. “For half a century of development policies, the dominant logic is based on a *simple financial arithmetic*: what the earnings from exported goods, services or migrant labour do not bring in to balances of payments has to be found by national economies mainly in foreign investments and international assistance.” (Schümperli Younossian et al. 2007, emphasis added).

So an economy in the second situation, in need of external finances, has therefore to *attract*¹ resources, especially via *competitiveness* policies, in order to gain its financing capacities: if the resources cannot be generated via the balance of payments, they have to be gained via a capital account surplus. For this kind of flows to take place, policies have to focus on the creation of an *enabling environment* for foreign capital, the *attractiveness* of the territory necessarily making foreign capital to flow in.

So if we leave aside domestic savings, which cannot be autonomously sustained in the long run, national economies are offered a two options choice. Whether they have the means to integrate international commerce (in most cases thanks to the extraction of their natural resources), and have thus to comply with global trade rules. Or, alternatively, they have to submit to the wants of global capital, and wait for him to come and ignite their development. Financial resources, in both cases, are necessarily exogenous to the respective territories. No room is left for national sovereignty, nor for “heterodox” policies. Market forces, supposedly apolitical, are here to ensure the right allocation of resources. For the countries failing at achieving this agenda, official development assistance (ODA) can come in to address particular humanitarian issues as well as to help governments to engage the right path.

Despite the 2003 pledge from developed countries to devote 0.7 % of their GNP to ODA, international aid flows have been chronically insufficient and are currently on a downward trend. With the aim of filling the gap, the international community came out with the concept of *innovative financing mechanisms*. Douste-Blazy et Filipp (2015) divide them into three categories: “solidarity levies”, “debt securitisation and debt swaps”, and “market incentives”. The first category includes air tickets or extractive industries levies², the second consists of vaccine bonds and Debt2Health program initiatives, and thirdly market incentives aim at encouraging research and development as well as production in developing countries, in exchange for preferential prices³. As we can see, these mechanisms have little of really innovative: they rely on financial mechanisms, and establish transfers following fiscal rules. If they can be useful for sectoral issues, such as vaccines and medicines for example, it is doubtful that they can address financing needs in a systemic way.

¹ We here purposely mobilize and emphasize the lexical field in vogue in the FfD discourses.

² To be precise, the levies for extractive industries are “*micro-levies*” (emphasis added).

³ We can note the originality of so-called “market mechanisms” to be based on prices distortions. Besides this point, we remark that such “preferential prices” are to be encouraged for global companies targeted by this mechanism but (for example) social protection needs to be “fiscally sustainable” (United Nations 2015, paragr.12).

Overall, the current financing for development consensus developed alongside the deeper move towards global financialisation. In this context, it is assumed that financial development leads to economic growth and poverty reduction, the development *bottlenecks* mostly lying in the “financial development and financial inclusion gaps” (Allen et al. 2014). Following these assumptions, the proposed measures to be implemented by developing countries, as summarized for example by Cabrillac and Zinsou (2014) include:

- The development of bond markets, sovereign rating, stock markets, pension funds...;
- The liberalization and deepening of local financial markets, by fostering competition and reducing the costs of financial services;
- The spurring of financial inclusion through mobile banking and microfinance services including microinsurance.

Developing countries, and especially Africa, are for these authors “the new frontier of international investors” (Ibid.), but above all appear as the new frontier of globalized finance.

Before discussing the financing for development paradigm on theoretical grounds, we can note that this paradigm is in the first place inherently inconsistent with the current political agenda, which – deservedly – calls for a development that would be *local* or *endogenous*, i.e. a development standing on the territories’ resources. But as soon as this objective is given a financing interpretation, endogenous resources are no longer relevant, but economies have, as we saw, to turn to foreign capital. In this consensus, several other contradictions appear:

- The necessary grasp and involvement of the local populations with the development agendas targeting them is undermined by this strong dependency on foreign capital;
- To development planning are confronted the imperatives of financial piloting which therefore act as impediments to the achievement of socio-economic objectives;
- Opposed to the decentralization process positively giving more power to local governments, is the imperative of financial mutualisation through pooling mechanisms for example;
- And finally, despite the spotlight being on the concept of financing, developing countries are still too often relying on foreign aid.

Even if not acknowledged by development stakeholders, the consensus detailed here stands on a particular theoretic corpus and on a specific approach to money. Though financing for development discourses and practices do not explicitly refer to any particular theoretic framework, only particular economic and monetary theories fit into these discourses and practices, leaving aside alternative approaches. It is important to make these foundations explicit in order to allow the reflection to have clear bases on which to proceed.

From previously detailed elements, the main idea on which financing for development paradigm appears to be based is financial intermediation. That is, the transformation of available savings into realized investments. In this view, financial institutions have an important role to play, but are only seen as mere intermediaries, channelling available funds from savings to investment opportunities, following best allocation principles. From a theoretical point of view, this paradigm fits into the model of prior saving: in the aggregate, savings are considered as generating deposits, in turn making funds available for investment. Any investment is therefore conditioned by preliminary savings, and can only be realized if these savings have been mobilized, whether locally or globally. This framework legitimates aid, which finances investment in poorer countries with the savings of richer ones.

This model is a non-monetary model, in which the nature of money and the dynamics of its creation are negated. The main consequence being the assumption of a fixed – and therefore limited – money supply to be allocated. It is this institutionalized capital scarceness that imposes the financing for development approach previously detailed. As stressed by Harribey (2012), through this approach, “the oldest of the classical theses is re-established”. This “radicalisation of the classical dogmas about money” (Ibid.) is not without political consequences. We here identify two main repercussions of the current financing for development paradigm for developing countries.

First, as Berr (2007) puts in, “behind the question of the financing mode, it is the choice of a development model that is hiding.” For developing countries to have to rely on foreign capital allows only for extrovert development models. Alternative approaches, potentially more beneficial to human development, are consequently not investigated. Second, and in our view most crucial consequence, is that by denying the role of an active monetary policy to developing countries, national economies could face a liquidity constraint which would be detrimental for their development and its financing.

This ignorance of money by development economics is not new. Most of the literature about financing for development ignore monetary considerations and promptly put them aside, without really discussing them. For example Gannagé (1969), in the introduction of his book, tells us that the reflection on financing for development has to be conducted “leaving aside the ultimate and *desperate temptation* to find money from the central bank” (emphasis added). To think about any active monetary policy from national authorities is here considered as a heresy. And for Gannagé to add: “Any financing problem is both a financial resources mobilization problem and an incentives problem.” This point has been consistent until today. According to the current Managing Director of the International Monetary Fund, “Mobilizing revenues is a priority [for developing countries].” (Lagarde 2015). It’s only “Once revenues are raised, [that] they must be used efficiently and effectively in pursuit of development” (Ibid.).

Finally, the current approach of financing for development, detailed here, far from leading to real *financing policies*, results in what we can describe as mere *funding processes*. We now intend to show that a broader consideration of the nature of money, as well as a better understanding of its origins, would widen the possibilities to address the financing for development problematic.

II. Money: endogenous to economies as well as an institution and a social link

As described in the previous section, money appears, in the current financing for development paradigm, as a limited resource, which has thus to be efficiently allocated. From a monetary perspective, money is seen as commodity money: a “circulating currency whose value is determined by an objective measure” (Wray 1990, p.27), a currency which would be backed by a valuable commodity, like gold for example. As we demonstrate in this section, this conception of money is inconsistent with the origin of money in our present monetary economies, as well as with the nature of money.

To speak about financing and money implies to consider the mechanisms of money creation. If money is the critical element of our problematic, where does it come from? Even if often forgotten by mainstream economic theories, “the majority of money in the modern economy is created by commercial banks making loans.” (McLeay et al. 2014) Banks are not

acting simply as intermediaries. “Saving does not by itself increase the deposits or ‘funds available’ for banks to lend” (Ibid.), because savings are made at the expense of consumption, and because consumption would generate deposits anyway. Nor do banks multiply up reserves: the central bank accommodates the quantity of reserves needed by the banks. Therefore, the classical model of savings making deposits making investable funds is mistaken. The crucial role of financial institutions has to be acknowledged, their role being not to act as mere intermediaries, but as the driving forces of the financing mechanism, by creating and injecting in the economy the money needed for its development.

Jakab & Kumhof (2015) distinguish between two models of banking: the intermediation of loanable funds (ILF) model and the financing through money creation (FMC) model. “In the ILF model, bank loans represent the intermediation of real *savings*, or loanable funds, between non-bank savers and non-bank borrowers. But in the real world, the key function of banks is the provision of *financing*, or the creation of new monetary purchasing power through loans, for a single agent that is both borrower and depositor.” Clearly, the current financing for development paradigm is based, as we have argued, on the ILF model, which is here debunked. Contrariwise to the prevailing financing for development approach, money creation is at the heart of the financing mechanism in modern economies. Lending takes place through money creation, the loaned funds in turn making deposits. “Saving is therefore a consequence, not a cause, of such lending. Saving does not finance investment, financing does. To argue otherwise confuses the respective macroeconomic roles of resources (saving) and debt-based money (financing).” (Ibid.)

So money creation, through credit allocation, is essential in initiating and sustaining any development process. Even defined in its stricter economic sense, development leads to an increase in productive capacities and to an increase in the volume of exchanges, which calls for more liquidity, more purchasing power, and therefore more money. This is the basis of any monetary economy, as it was early studied (Marx 1867; Schumpeter 1934; Keynes 1936).

This crucial role of money in any development process is also to be linked to the endogeneity of money. In line with Wray (1990, p.1), “the creation of money is tied to the normal operations of a monetary economy.” Not only the provision of credit accompanies the development process, but it allows it. “The social purpose of credit is to provide purchasing power to the capitalist so that he may buy the goods and services needed today to produce the

goods and services which will be sold tomorrow.” (Ibid., p. 55) Dynamically, financing takes place *in anticipation* of wealth creation: “money transfers purchasing power through time, from the future to the present.” (Ibid., p. 11). So money creation, through the allocation of credit, is a prerequisite to any development-fuelling investment.

This post-Keynesian view of money, which emphasises its essential economic role, can here usefully be completed by the institutionalist approach to money. Following this second theoretical corpus, money is not reduced to its functions, but also appears as a social construct, as an institution. Indeed, “money is not a commodity nor an instrument facilitating exchanges, but it is the institutional link connecting producers with each other and, by this particular fact, making exchanges possible. From this perspective, money constitutes the prime relationship, at the foundation of the market order.” (Orléan 2007) Individuals, through the relations they maintain, make society, as well as they make money. Their interrelations can be seen as a web of debts, in which money “is the mean giving a measurable and quantifiable form to this set of social relations” (Théret 2008). Money, far from having any pre-existing intrinsic value, get its liquidity because it is “the socially recognized and legitimized form of wealth” (Aglietta & Orléan 2002). Following this approach, the reality of money is grasped by the understanding of its ability to concentrate the assent of the group, to focalize the trust of the society. It is this common trust which can actually turn pretty much anything into money, as long as there is a consensus among the members of the payment community.

Even if the institutionalist approach explains the emergence of money by a spontaneous election-like mechanism, its focus on trust and shared agreement also allows to conceptualise voluntary social movements as potentially creators of money. From the institutionalist point of view, money loses its features of invariant and independent object that the standard economic theory confers to it. Money can even appear as “a malleable tool that can be adapted for purposes that also belong to the civil society to define” (Blanc & Fare 2012). It is no longer an a priori given, with which we must cope and to which we must adapt, but money becomes a tool for action when groups agree on new exchanges rules through new monetary arrangements.

So movements of re-appropriation of money led to the emergence of so-called social and complementary currency systems. They can be defined as "local exchange systems of goods, services and knowledge, organized around a specific currency allowing both the

pricing and the settling of exchanges." (Ibid.) These currencies are implemented by local groups to better meet their economic, social, or environmental aspirations, especially those unmet by the market or the state. In particular, "local, social, and complementary currencies are part of these emerging initiatives that seek to provide solutions to the challenges of sustainable local development." (Fare 2011) Monetary innovation appears as a "social innovation [that] can thus be analysed as a reaction to the [prevailing] development model and appears as a witness or a revealing of these tensions." (Blanc & Fare 2012). The potentials of social and complementary currencies include the territorialisation of economic activities, the stimulation of local exchanges, and the transformation of practices, lifestyles and social representations (Fare 2011).

Starting from the fact that "the neoliberal approach to development did not produce expected results" (Berr 2007), it is important to consider alternative approaches. As we saw in the previous section, the current financing for development paradigm stands on a particular approach to money, which has implications in terms of workable tools and policies. By exploring the nature and the origins of money, we have seen that money should not be considered as a scarce resource. Given their innovative character and their potentials, social and complementary currencies may widen the scope of the tools available to achieve financing for development. We here wish to explore this proposition.

Beside the context independent potentials of social and complementary currencies, their use may appear particularly relevant in developing economies, regarding one of their distinctive feature: their high level of banking exclusion. Large parts of the population are defined as non-bankable because the high cost implied in reaching them, their low profitability, or because they face entry barriers. This is particularly true for Africa, where only 11 % of the adult population has a deposit account and less than 2 % are borrowers (Demirguc-Kunt & Klapper 2012). Considering these figures plus the elements previously detailed about money creation, an important question arises. If money is endogenously produced by the economies via their banking sector, how do we ensure that an unbanked developing economy disposes of the right amount of money, the amount that meet its needs? To answer this question is out of the scope of this paper and will necessitate further research. Nonetheless, it should encourage to consider the particular situation of these economies and alternative tools and approaches. From field work in different parts of Africa, we at least know that agents, particularly businesses from the informal economy, report to face a chronic lack of currency, a lack of medium of exchange.

III. Social and complementary currencies and financing for development

Social and complementary currencies are often described, especially by their promoters and practitioners, as addressing the limits of “conventional money”. Social innovation, through grassroots experimental niches (Seyfang & Longhurst 2012) would lead to creativity and allow for novel approaches for the issues to be tackled by local groups. In this last section, we wish to analyse the way social and complementary currencies participate in financing for development, and the way they address the limits of the current FfD paradigm.

To fully assess the way social and complementary currencies contribute to financing for development would require to conduct a thorough literature analysis, as well as to run evaluation processes on the ground. We here limit this contribution to a discussion of the main existing models of social and complementary currencies, from the point of view of their respective monetary architectures. To conduct this discussion, we will follow the four generations classification established by Blanc (2011). Since each generation has its own monetary arrangement, and each generation brought its own batch of innovations, to follow this analytical framework allows to cover the wide range of existing social and complementary currencies, while limiting the discussion to the main monetary architectures. When applicable, we will introduce existing examples from the developing world and briefly discuss them.

The first generation of social and complementary currencies is mostly made of the Local Exchange Trading Systems (LETS). They are mutual credit systems which allow to “keep scores” of the exchanges realized within a group of users, in order to foster reciprocity among them. LETS are purely scriptural systems in which both provider and receiver accounts are altered when an exchange takes place: the provider account is credited and the receiver account is debited, both by the same amount, so the global balance of all the accounts is at all time equal to zero. In this type of system, “money is therefore not pre-existing the exchange, but is consubstantial to it.” (Blanc 2006). In this respect, LETS feet very well in the theory of endogenous money: exchanges are not constrained by a stock of pre-existing value of any kind, and the creation of money, here in its role of medium of exchange, is very directly tied to the needs of the traders. LETS are only linked to national currencies by its unit of account function, prices inside the LETS being generally the same than in the national

currency, or if not the same, they still use the same unit of account for most of them. LETS also give a free access to credit, as it is possible for a member to have a debit position. Actually, to have debtor users in the system is necessary, as in total the amount of credit is equal to the amount of debit. So for a new member, it is possible to receive goods and services from the group before to have to provide goods and services back to the group (a limit to the debtor position can be enforced, depending on the systems, to avoid free-riders to run large deficits and freeze the exchanges by not providing anything back). So LETS can participate in assuming the “social purpose of credit” as put in by Wray (1990): they allow any member to access extra purchasing power – in a certain limit – without any prerequisite.

Focusing on developing countries, we can here notice that South-Africa is home of one of the main type of LETS: the Community Exchange System (CES), which is a web-based exchange system created in Cape-Town in 2003. Since its creation, 51 groups have been created in South-Africa, and 4 others in Zimbabwe, Namibia and Zambia⁴. But as noticed in Dissaux (2013), beyond the large number of groups, the sole two groups of Cape Town and Johannesburg (the two first to be created) concentrates 70 % of the total number of offers, casting doubt on the real dynamism of the rest of the groups. The type of goods and services on offer is also interesting to look at. For example, in the Cape Town Talent Exchange, most offered items are for “Body & mind” (19 % of the offers), followed by “Advice & tuition” (10 %), “Business services” (9 %) and “Entertainment & recreation” (7 %). Obviously, the CES is not a system in which people assist each other for basic needs, but rather seems to be a middleclass exchange system. Indeed, South-Africa is an emerging country with a significant share of its population having high standards of living, alongside a high level of inequality. Despite the original project of the CES being to be “a serious attempt to draw in those who had been marginalised by the conventional economy” (Jenkin 2004), it seems that the CES has not yet managed to reach the most marginalised fringe of the South-African population, especially the black townships.

Apart from the LETS, another type of social and complementary currency is part of the G1, forming a “G1 bis”: it is the “barter markets” (as called by Seyfang & Longhurst 2012) and especially the Argentinian *Trueque*. It started in 1995 as a mutual credit clearing system (using cards and computer files), but its growth led to its transformation to a manual currency (using paper notes) in 1996 (Saiag 2013). First notes were only photocopied and

⁴ www.community-exchange.org/

scissors cut, as they were at this time the only available mean of exchange (Gomez 2013). As with LETS, in both versions, users get a free access to credit, as they are allocated with a certain amount of *creditos* when they enter the scheme. From a project conceived by and for entrepreneurs towards economic objectives (Ould-Ahmed 2010), the Trueque witnessed a massification of its use with the outbreak of the Argentinian crisis, poor people embracing the system by virtue of necessity. According to Gomez (2013), in 2001-2002, the Trueque had 2.5 million users, representing 20 % of the active population. Focusing on the poor, 33 % managed to cover $\frac{1}{4}$ of their needs thanks to the Trueque, 42 % covered half of their needs, 18 % covered $\frac{3}{4}$, and 7 % covered 100 % (Ibid.). After its wide adoption, the Trueque went through a massive crisis in 2002: part of the explanation lies into management conflicts, over-issuance and resulting inflation, but also because of the evolution of the composition of the group with the massification process. With many people joining by necessity, the dynamic equilibrium of a group of “prosumers” (each member being producer and consumer at the same time), became unstable when a lot of people joined looking to fulfil their basic needs (especially for food) without being able to provide goods or services desired by the rest of the group. Though the Trueque is a particular case, because addressing a harsh crisis situation, it did sustain the basic needs of a large share of the Argentinian population, and it did (at least partly) sustain the local economic fabric.

Second generation schemes are mostly timebanks, which are, like G1 schemes, mutual credit clearing systems, at the difference that the unit of account is not the national currency or an internal unit of account, but is the unit of time: the hour. Goods and services are priced depending on the amount of time needed to produce goods, or on the amount of time spent to provide services. This way, the main guiding principle of this kind of scheme is equality, as everybody’s time is equally valued. Time banks are mostly used to exchange services, for example between generations, the youth taking care of the elderlies. To exchange goods in a timebank is only the exception. In this regard, as it appears difficult to fuel a development process only with services, timebanks may not contribute that much to financing for development. To our knowledge, there is no such scheme implemented in the Global South.

Local currencies make the third generation of social and complementary currencies. They are for the most of them paper currencies circulating on a particular territory. They are implemented by local groups in order to strengthen economic activities on this territory, via the activation of proximity links among its consumers and producers. Local currencies are tied to national currencies (they have the same value) and are also fully backed by national

currency (as much national currency is kept in reserves as the amount of local currency in circulation). For most of these schemes, the main issuing point is when willing consumers voluntarily exchange the national currency for the local currency (often at a bonus rate in order to incentivize the uptake of the currency). If partnerships exist with local authorities or local banks, they can provide funds to disburse social transfers or to extend microcredit in local currency, or to directly pay for goods and services using the local currency (the managing team of the currency for example can be paid partly in local currency).

Local currencies aim at increasing the multiplier for the territory where they circulate. The multiplier is the relation between an initial increase in revenue, and the total increase in revenue generated in the economy by this initial increase: in the aggregate, spending is other one's revenue, so any revenue diffuses in the economy, in turn generating more revenues. From the point of view of a particular territory, the multiplier will depend on the propensity for local consumption: the multiplier will be higher, and consequently local revenues will be greater, if the propensity for local consumption increases. So local currencies aim at "sticking" part of the money supply to a particular territory in order to "plug the leaks" (Ward & Lewis 2002). Local currencies can have a positive effect on the development of peripheral territories, this kind of territories depending for their supply on centres otherwise attracting revenues (Dissaux 2014). Still, this type of schemes, being fully backed with legal tender, depend on the amount of national currency they manage to mobilize to issue the local currency. This setting can whether be a legal condition of the existence of such schemes, or a caution measure when no clear legal status is defined, depending on the countries and their legislations.

The main example of local currency developed and implemented in the Global South is surely the Palmas model, developed in Fortaleza, Brazil. This experience, implemented by the first Community Development Bank (CDB) to be created in Brazil, led to a whole solidarity finance methodology with the creation of the Palmas Institute and the Brazilian Network of Community Development Banks. In this methodology, the social currency is part of an integrated approach made of "interweaved solidarity financial services, of an associative and communitarian nature, directed towards job creation and income generation within the perspective of reorganizing local economies, having as their foundation the principles of the solidarity economy" (Brazilian Network of Community Development Banks, cited by Braz et al. 2014). In particular, the community bank provides microcredits for production in Reals at low interest, for the entrepreneurs to import means of production from outside the

community, and microcredits for consumption in local currency at zero interest, for the consumption to benefit the local economy and for the money to circulate for the benefit of its members. As other G3 schemes, the Palmas currency is constrained by the amount of Reals the community bank is able to collect or to mobilize. Still, it has been able to create a virtuous dynamic for the territory. In which the local currency played an economic role, but it also became a symbol of the community identity, as well as an educational tool: “not only its literal use can promote increase of consumption in the neighbourhood, but the symbolism embedded in it, that the educational campaigns articulate, can change the habits of the community and increase the potential of consumption that takes place locally. From this perspective, with changes in consumer habits of the community over time, the population can minimize the use of social currency without resulting in a decrease in local consumption.” (Braz et al. 2014)

Lastly, the fourth generation schemes are multiplex projects, combining several objectives and mixing different tools. They are mostly made of combinations of the previously detailed schemes, so we will not detail this generation. Also, they have a particular focus on environmental issues, which turn them away from strict development purposes. To achieve their objective, they mostly aim at orienting consumption, and therefore do not aim at financing. Moreover, they are complex and expensive projects which do not make them really suitable for development projects.

Stepping aside from this 4 generations classification, we would like to finally focus on a particular scheme, which in our opinion do not fully fit into the generations framework previously detailed. It is the model developed and implemented in Kenya, where five different community currencies are currently circulating (they were launched between May 2013 and August 2015): two in the periphery of Mombasa, and three around Nairobi (including one in Kibera, known as “Africa largest slum”). In this model, micro-entrepreneurs from the informal economy get together to form a business network and agree on the use of a community currency, issued to each member when he joins the network (see Ruddick et al. 2015). Following this first feature, this model would be close to the Argentinian Trueque (issuance at joining time, no backing in national currency, no convertibility), making of it a G1 scheme. But the innovation of this model is that at the same time the currency is issued when a member joins the network, an amount of currency is also issued to go to a community fund. This community fund is in turn used to conduct environmental actions (trash collections for example) or social activities. Here a common financing capacity has been generated by the

community, by their agreement on using the community currency, which is only backed by the goods and services of the business network, and the promise of its members to use the community currency.⁵

As we saw, the different types of social and complementary currencies can participate in financing for development in different ways, depending on their monetary organisation. We summarize these characteristics and their results in terms of development financing in the table below.

<i>Generation</i>	<i>Types⁶</i>	<i>Monetary characteristics</i>	<i>Financing aspects</i>
<i>G1</i>	Mutual exchange systems and barter markets	Mutual credit clearing, inconvertibility.	Free access to credit.
<i>G2</i>	Service credits	Mutual time credit clearing, inconvertibility.	Free access to credit for services only.
<i>G3</i>	Local currencies	Convertibility, tied to and backed by national currency.	Increase of the local multiplier
<i>G4</i>	Complex schemes	Mixing different tools.	Orienting consumption, no financing

Table 1: Summary of social and community currencies generations, monetary characteristics and their participation to development financing

⁵ For a discussion of the success and challenges of this model see, part of this conference and containing some of our data: Ruddick, W.O., Trust and Spending of Community Currencies in Kenya.

⁶ Seyfang & Longhurst (2012) identify 4 types of “community currencies”, which fit into the first three generations of Blanc (2011).

Conclusion

Reviewing the current financing for development paradigm, we saw that it leads national economies to rely primarily on external funding. This has implications in terms of type of development as well as policies to be implemented. By reintegrating money in the financing for development problematic, it has been argued that the latitude for workable tools and policies is actually broader than what the current approach imposes. By acknowledging the essential role of money in the process of financing for development, we have suggested that social and complementary currencies may be of interest for our problematic. Finally, discussing the different types and models of social and complementary currencies, we showed that they participate in different ways to financing for development, depending on their monetary characteristics.

Following our theoretical approach to money, credit has a social purpose in allowing investment. In this process, money creation takes place in anticipation of wealth creation. And in the course of development, money is endogenously created to meet the needs of a growing economy. Social and complementary currencies are close to this approach: some of them give a free access to credit, while others territorialize the money issuance process. Still, the limits of the schemes do not necessarily allow for productive investment. And moreover, most of social and complementary currencies do not fully match endogenous money theories. Local currencies in particular, for which the amount of currency in circulation is tied to the amount of national currency collected, may not automatically meet the needs of the local economy. From this point of view, there is still room for experimentation and innovation.

For an effective financing for development process, money creation could be decentralised at the local level, following a principle of monetary subsidiarity (Fare 2013). This monetary subsidiarity is – in our opinion – not yet fully operable with current social and complementary currency schemes.

Wray (1990) noted that “profit seeking behaviour necessarily rations credit” and that “there is no guarantee that credit rationing will necessarily generate the right amount of credit and place it in the correct hands.” (p.57) This is true in the context of commercial banks. But this is a particular institutional arrangement, and other may yield better results. For instance, money creation could be decentralized following the principles of the Commons, as highlighted by Ostrom (1990). Legal tender would thus be complemented by what Bendell & Slater (2015) call a “common tender”.

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