

**CERISE Minutes of Steering Committee Meeting for
SOLIDARITY FINANCE Working Group
18 March 2005
FPH - Paris**

I – PARTICIPANTS

Surname	First Name	Organisation	Country
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II – THE PROGRAMME

FRIDAY 18 MARCH : FINSOL STEERING COMMITTEE

Morning

9 am – 10.30 am

Report on FINSOL/SPI work based on FINSOL proposals

10.30 am – 11 am

Coffee break

11 am – 12.30 pm

The future of FINSOL:

What is needed? What are the challenges facing solidarity finance?

Afternoon

2 pm – 4 pm

FINSOL's 2005-2006 programme

4 pm – 4.30 pm

Coffee break and closing session

III – SUMMARY OF WORK IN SOLIDARITY FINANCE WORKING GROUP

Historically, microfinance has met with real success as a tool for the inclusion of those excluded from the classical banking system. At present it is thought that throughout the world 60 million families have access to microfinance services.

In order to respond to this desire for inclusiveness, the operational bases of microfinance institutions (MFIs) have been founded on social links and proximity to beneficiaries:

1) Solidarity and involvement: these mechanisms can be found in the workings of joint surety groups; in cooperative systems, each individual is a member and is involved in the management of the institution; in village banks the whole village is a stakeholder and is responsible for the correct operation of the fund for the good of the village, etc.

2) Services for the excluded: services have been designed for and adapted to the needs of an economically or socially marginalised population (small sums, regular repayments, targeting of activities carried out by poor households, direct contact with local credit agents, etc).

3) Services are based on proximity to the beneficiaries: geographical proximity through the development of rural agencies or "mobile banker" services where the banker travels to meet clients; social proximity seeking to reduce the barriers between clients and institution (local agents, services that are suited to the cultural and religious context, etc); temporal proximity reflected in frequent contact between the institution and its clients via regular repayments or frequent training and discussion sessions. Proximity increases confidence, reduces information imbalances and minimises social barriers between clients and institution.

In the 1990s attempts to make MFIs sustainable focussed attention on issues of financial and institutional viability. Financial analysis tools were thus adapted but MFIs' social performance was taken as read. The march towards financial autonomy, pushed to extremes by certain donors, contributed to turning numerous MFIs away from their social vocations.

Findings of the FINSOL working group

Solidarity finance actors meeting in the FINSOL working group note the following: There is an urgent need for a distinction between different types of microfinance according to the practices pursued by the MFI.

Two broad categories of institution can be identified:

1) Microfinance that sees its role as that of a financial services provider or a loan operator. These institutions in general start out in a niche neglected by banks and lending establishments, that of "non-bankable clients".

Seduced by professional and reassuring talk, many funding providers have ultimately subscribed to this technocratic view of the sector. Donors don't like risk either! It is this form of microfinance that advocates institutionalisation into commercial banks in order to gain access to the money market, for greater profitability to attract private investors. It could be called "pre-banking microfinance".

2) Microfinance that sees finance as an effective tool, but one that can be used to help humanity and society to develop. For these microfinanciers the way services are provided makes all the difference. Because it puts people and their social links at the centre of its work, this type of finance will always work in harmony with its context and environment, and will seek to understand these in order better to serve them and improve them. Finance of this sort aims to impact on clients' social capital and their autonomy, which in their turn will impact on the sustainability of the institution. It could be called "Solidarity Finance".

Just as banking is a profession, so solidarity finance is another profession, a new profession that needs to be promoted and to gain recognition.

On the basis of this and of the report on initiatives and innovations in the field of solidarity finance, FINSOL actors in 2002 drew up a list of proposals that have now led to a number of advances, thanks to joint work with the Social Performance Indicators Initiative (SPI) initiated in 2002 by the Argidius Foundation and financed jointly by the FPH and Swiss Development Cooperation (SDC).

What is the current situation vis-à-vis the FINSOL proposals?

1. Research and the technical aspects of solidarity finance

Reminder of the proposals

1. *To strengthen the empirical basis on which a demonstration of solidarity finance's added value can be based*

Conduct deeper research into the impact microfinance has on social links.
Study the impact microfinance programmes have on social capital in a number of clearly defined cases (well-known MFIs), covering the differences between different types of approach.
Use these cases to identify the methods and tools that can strengthen or weaken social capital. Draw up performance indicators for the strengthening of social capital and social links.

2. *Analyse the costs and benefits of MFIs that strengthen social capital*

Analyse rigorously for MFIs the costs and benefits created by the strengthening of social capital.
Define the relevant scope for the application of solidarity finance in terms of public interest or social benefit.

3. *Define solidarity finance professionally*

Define solidarity finance in terms of specific skills, as a profession, and in terms of management and operational rules.
Translate these standards into professional regulations to create a new kind of financial institution within banking law.

Actors in the working group felt that the development of social performance indicators was a key step in the definition of solidarity finance. It is a strategically important step in strengthening solidarity finance because defining indicators may unlock progress on the working group's other proposals.

Working in parallel with the SPI initiative has allowed a precise framework to be defined, which solidarity finance fits into.

The working group's added value at this stage has been in close, constructive and very concrete cooperation with partners from the South, which gives the SPI tool the strength and credibility that it has at present.

The SPI tool is not only a set of indicators; it also allows solidarity finance to be defined: Solidarity finance is one of the efforts being made to set social objectives and provide the means of attaining them in the following ways:

- Targeting the poor and the excluded
- Adapting services to the target population
- Improving clients' social and political capital
- The MFI's social responsibility

Continuing this work will feed into a database of the social performance results of solidarity finance actors, and will allow responses to be developed to the questions raised in the working group's proposals: what are the tools and methods that strengthen or weaken the social performance of solidarity finance? What are the costs and benefits of strengthening social performance? Etc.

With comparable or similar financial results, the SPI tool will allow the MFIs that are committed to social objectives and are contributing to the creation of links and of social capital to be identified.

The SPI tool will also allow social performance to be defended, and will legitimise resorting to subsidies from public or private resources without the constraints of financial profitability detracting from social objectives in public policy: the fight against poverty, sustainable development, strengthening local areas, etc.

In their recent meeting from 15 to 18 March, FINSOL actors affirmed their wish, their need and their motivation to pursue their commitment within the workshop to further their work on these topics.

2. Lobbying

Reminder of the proposals

4. *Make the concept of solidarity finance emerge onto the international scene*

Dialogue with funding providers: raise their awareness of the concept, help them to differentiate between the different forms of microfinance (pre-banking or solidarity), raise their interest in solidarity finance and create initiatives to encourage MFIs to strengthen social capital. If necessary, encourage them to accept longer waiting periods for financial self-sufficiency to be reached in cases where the MFI is clearly working in the general interest.

5. *Obtain tax advantages for solidarity finance in national policy*

Grant tax advantages to solidarity savers and to solidarity financial instruments that boost initiatives by increasing social capital and working towards a sustainable society based on solidarity.

6. *Expand the network of "allies" of solidarity finance*

Continue dialogue in the FINSOL forum and use web tools, launch case studies in the forum. Give "faces" to solidarity finance to facilitate the identification of practitioners. Link this network with other networks with similar concerns.

7. *Promote solidarity finance to all actors*

Promote solidarity finance via publications and participation in international conferences and seminars. Organise lobbying. Aim to reach decision-makers as well as practitioners to create alliances around quality finance.

The SPI tool also provides more than just a definition of solidarity finance and a set of technical indicators. It is the bearer of a social performance "culture" and of a message for funding providers, social investors and other actors in the microfinance world: an institution's social objectives can be clearly fixed, monitored and improved. Financial performance is important but is only one part of the institution's sustainability. The sustainable development of finance (both microfinance and the financial sector in the broad sense) is based on the pursuit of both financial and social objectives.

The FINSOL working group and the SPI initiative have already seen a change in the way donors and social investors approach the question of social performance. An example is Swiss Development Cooperation's initiative of asking its partners, such as the ResponsAbility network (a group of large Swiss banks investing in microfinance) to use the SPI tool to encourage their members to act in a social and responsible way. Another is FIDA, which will be using the SPI tool as the basis for dialogue with its partners on actions to be taken to improve social impact.

The meeting of 17 March 2005 at the World Bank in Paris brought together researchers (from English, French, Belgian and German universities), practitioners and donors and social investors, allowing the working group's actors to argue for a broader definition of social performance: enlarging it from the restrictive definition of targeting the poor to the four dimensions of the SPI tool.

The actors present (who were of course among the most convinced of the usefulness of the concept) defended the notion of social performance and defined an action plan together in which the working group's allies have a key role. This will be a significant development, driven by a number of MFIs and donors, after decades of brainwashing in which only economically successful microfinance was considered to be professional!

Alongside the concrete initiatives being conducted with various actors, the working group's role could be to provide dissemination and information tools: the working group's website and mailing list are operational tools that allow information to be exchanged, initiatives to be organised and participants to be kept up to date, feeding into debate and discussion to move the ideas and concepts of solidarity finance forward in the face of the ubiquity of financial performance indicators as the only means of evaluating microfinance at present.

The working group can also facilitate active participation and organise meetings at regional level that will promote the concept of solidarity finance to a broader public. A number of opportunities have already arisen for 2005: meeting of the MAIN network in Africa (Youndé – Cameroon – May), European meeting for the year of microlending (Paris – France – June), meeting of the ForoLac network in Latin America (Santa Cruz – Bolivia – October), meeting of the Asian network in the Philippines (Manila – Philippines – October or November), meeting of the North American SEEP network (Washington DC – USA – October), etc.

The working group has provided a superb space for the exchange and strengthening of initiatives and will be able to keep this role of catalyst and promoter of "good works" such as the production of information, of new standards and concepts, and of aids for their dissemination to a broader public directly involved in economic action.

3. Horizontal issues

Reminder of the proposals

8. *Make solidarity finance part of a systematic approach to the solidarity economy*

a) Make solidarity finance part of the global project of the solidarity economy

The solidarity economy offers a new perspective for social change, a perspective in which values play a crucial role. The key element here is the contribution of solidarity. Solidarity finance is therefore a natural part of this global project. It can contribute its understanding of social capital.

b) Make solidarity finance part of the economic chain (production, finance, distribution, consumption) made up by the various solidarity economy working groups.

There is a need for operational links that strengthen the work of each of the solidarity economy's actors by integrating the various levels of the economic chain.

c) Construct new relationships with political bodies, in collaboration with the other actors in the solidarity economy.

The role of institutional actors in the development of a solidarity economy and the necessary redefinition of relations with political institutions is common ground for the various actors in the solidarity economy.

The notion of social performance as defined by the working group's allies may go beyond the strict boundaries of solidarity finance and may be a basis for discussion and fuel debate in the Alliance's other working groups: vision, social responsibility, indicators, etc. The distribution of documents, tools and summaries of solidarity finance working group meetings will be a first step in the exchange, with cross-participation in the working groups' future work.

A number of areas are emerging where FINSOL working group actors want to take up local contact with the fair trade sectors or exchange ideas with the "Indicators" working group on concepts and goals.

The work undertaken may also offer the possibility of exchanges with other major actors in the financial system, such as pension funds, who are also asking themselves ethical questions about their investment policies and may be interested to know what is going on in the microfinance world.

Past and future work in FINSOL and SPI has been and will be carried out in close cooperation with academics and researchers working on economics and sociology on the concepts of sustainable development and social responsibility. These relationships not only allow a more coherent basis to be given to the concept of solidarity finance, they also feed into the thinking of economists and sociologists on the contribution made by solidarity finance to the notions of sustainable development and social responsibility.

III – MAIN CONCLUSIONS AND ACTION PLAN

Questions and the future

How to get all the networks involved, how to share future and past work?

Call in particular on national networks, participate in meetings of national and regional networks, share information, organise specific meetings on microfinance and social links / social performance / solidarity finance.

How to encourage cross-cutting activity?

Exchanges of information with other working groups, especially the Indicators and Social Responsibility working groups.

Cross-participation in meetings may be envisaged, but it is sometimes difficult to get to grips with themes one is not familiar with.

Some working group members envisage concrete actions on the ground (links between solidarity finance and fair trade for example). These experiences can be shared.

Coordination and resources for the working group

Coordination

Renée Chao-Béroff who was hitherto in charge of coordination is retiring.

Benjamin Quinones and Cécile Lapenu were proposed. Benjamin cannot take responsibility given his workload and his involvement in a large number of the Alliance's working groups.

Cécile will take charge of coordination and will be backed up by Benjamin, especially in the second half of 2005 when she will be on maternity leave.

For resource work (hitherto managed by Morgane Iserte) – updating documents on the website, moderating and translating in the forum, etc. – a resource person will have to be found.

Organisation of the working group

The work of the working group will essentially be based on the work of regional and national networks that can raise awareness among local actors and get them involved in discussion and action.

The work will be based on the working group's eight proposals (see above).

The working group's main role will be to support the local activities of these networks and partners and to stimulate collective discussion. Coordination work should allow dialogue, exchanges and agreement between continents. For these activities (local activities, resources and coordination) a budget will be needed.

The Asian partners (Riza, Ben and Mr Huot from AMRET – Cambodia and Mrs Mercado Bunker from ASHI – Philippines) are getting together and anticipate that the Asian forum will hold annual meetings.

Carmen Velasco is getting in touch with Finrural in Bolivia; Finrural will be able to get in touch with the Latin American network Foro Lac. Florent Bedecarrats will pass on information to Isabel Cruz from AMUCSS.

Connections on social performance in the north and in the south may be envisaged as part of the European networks' discussion. Benoit, Renée and Cécile will be the working group's contact persons: in particular, they will make contact with the European Microfinance Network, with the Belgian microfinance forum and with the Dutch platform.

Action plan

1. Minutes of March meetings (early April)
 - SPI CERISE (15-16 March)
 - CGAP (17 March)
 - Finsol (18 March)
2. Finalisation of SPI summary reports (end April)
 - Summary
 - Questionnaire
 - Questionnaire guidance notes
 - Results
3. Translation of SPI reports (May)
4. FINSOL distribution (June / July)
 - Documents on the working group website (minutes, SPI summary reports)
 - Exchange of views in the FINSOL forum (? depending on availability of moderators...)
 - Dissemination to other working groups
 - Dissemination on the "Promo" / Alliance News list
5. Capitalising on work done, collecting information on social performance, research and exchanges with network partners based on the action plan for phase three of the SPI (to be confirmed with SPI).
6. 2005 Meetings on solidarity finance or other opportunity to disseminate work

- MAIN (Africa) network meeting, Yaoundé – Cameroon – Early May
General topic: Rural Finance – a presentation on social performance and impact is planned
Contact person for the working group: Teshome

- 2005 Meeting – Year of Microlending – Paris – France – 20-21 June
General topic: The future of microfinance (?)
Specific workshop on social impact
Contact people for the working group: Renée, Cécile, Reynaldo Marconi (Finrural)

- Meeting of the Asian Forum – Manila – Philippines – October (dates to be confirmed)
Specific topic: Social Performance
Contact people for the working group: Benjamin, Riza

- Meeting of the European Microfinance Network – Barcelona – October
General topic: to be confirmed
Specific workshop on social performance (to be confirmed)
Contact person for the working group: Benoit?

- Foro Lac Meeting (Latin America) Santa Cruz – Bolivia – Early October
Specific topic: Social Performance
Contact people for the working group: Benjamin, Riza

- SEEP (North American) network meeting – Washington DC – USA – October
General topic: annual network meeting
Possibility of a workshop on measuring social performance (to be confirmed)
Contact person for the working group: Renée (?)

- Meeting in Dakar – PSES – Senegal – 22-27 November
Contact person for the working group: Philippe, others?

It seems October 2005 will be a busy month; as far as possible, care should be taken that dates do not overlap and to ensure at each occasion that a member of the working group can attend.