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FINANCING FOR DEVELOPMENT: A MONETARY ISSUE IN WHICH MONEY HAS NO SAY

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ABSTRACT

For developing countries, financing needs remain important, especially to meet the Sustainable Development Goals. This paper deals with the problematic of financing for development (FfD), by focusing on what we think to be its major blind spot: money. If development is far from being only about money, its financing does have monetary aspects, which are most often omitted. We first emphasise the current prevailing FfD paradigm and show that it stands on a particular theoretical corpus. In particular, it adopts a restrictive understanding of money, carrying important political, economic and social implications. Against what can be described as a non-monetary approach to financing for development, we consider the nature and origins of money. In this light, the current FfD paradigm appears as inconsistent, while tools such as social and complementary currencies can be relevant. We here explore their participation to financing and their potentials regarding this issue.

KEYWORDS

development financing, money, social and complementary currencies

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1. INTRODUCTION

In July 2015, 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 recently 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, different 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 present discussion to the economic field (but keeping in mind that it largely excesses it), 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 more broadly 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. In the framework of monetary economies, these are monetary resources. So financing for development can be analysed as the allocation of money which allows to initiate or sustain the development process. Therefore, development financing inherently has monetary features, which need to be dealt with in order to fully address this problematic. The purpose of this paper is to point out that it has not been so: we will show that the monetary nature of the problematic of financing for development has been overlooked, which has important economic as well as political implications. We will argue that by considering the financing for development problematic as the monetary problematic it actually is, and by reintegrating a proper understanding of the nature of money, the scope of means and tools workable to address the financing for development problematic could be widen.

In the first part of this paper, we review the current prevailing financing for development paradigm and exhibit its implications for developing countries. We will see that this paradigm fits only in a particular theoretical framework, especially regarding the nature of money. We then emphasise that money is endogenous to economies, as well as being a social institution. By reintroducing these dimensions, the financing for development paradigm appears as being largely inconsistent, and social innovations such as social and complementary currencies (SCCs) appear as relevant tools. We finally discuss their potentials in regard of the problematic of financing for development.

2. THE CURRENT FINANCING FOR DEVELOPMENT PARADIGM AND ITS IMPLICATIONS

Discussions and negotiations around the global issue of financing for development are held under the auspices of the United-Nations. But international organisations such as the World Bank and the International Monetary Fund are the main producers of expertise, and are the ones steering practices in this domain. In particular, based on country-level analyses, they produce recommendations of policies to be implemented by developing economies. As a first step for our discussion, we review the doctrine developed and applied by these organisations, in order to see in which way money is understood, and to confront this understanding to monetary theories.

Following the diagnoses made about developing countries, national economies can be in different situations, depending on their economic characteristics, these situations affecting their abilities to finance their development. On the one hand, if national economies have a sufficient domestic saving level or if they 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. 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: here they have to rely on external financing. In other words, "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).

An economy in the second situation, in need of external finances, has therefore to attract resources, especially via competitiveness policies, in order to expand 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 creating an enabling environment for foreign capital, the attractiveness of the territory making foreign capital to flow in. So if we leave aside domestic savings, which cannot be autonomously sustained in the long run, financial resources are always exogenous to considered territories, while their allocation resorts to market forces. In this framework, official development assistance (ODA), beside addressing some sectoral issues, is mostly focused on helping governments with the structural reforms needed for the economies to become attractive and self-financing.

Partly due to ever insufficient financing flows, the concept of "innovative financing mechanisms" is now being promoted (see for example Douste-Blazy and Filipp, 2015). But they have little of really innovative: they rely on financial mechanisms and establish transfers following fiscal rules. For example, they set up "solidarity taxes" on air tickets, design "impact bonds" to finance sectoral projects via particular debt products, or institute preferential fiscal conditions for companies settling in developing countries. If they can be useful for sectoral issues such as vaccination for example, it is doubtful that they can address financing needs in a systemic way.

Overall, the current financing for development consensus developed alongside the trend towards global financialisation. In this context, it is assumed that financial development (the development of financial markets and of the banking infrastructure) automatically leads to economic growth and poverty reduction, the former being a precondition of the latter. Thereby the development bottlenecks are said to be laying in the "financial development and financial inclusion gaps" (Allen et al., 2014), these gaps needing to be filled. Following these assumptions, the proposed measures to be implemented by developing countries, considered as "the new frontier of international investors" (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.

Before confronting the prevailing financing for development paradigm to economic theory, we can note that it is in the first place 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' own resources. But as soon as this objective is given a financing interpretation, domestic resources are no longer relevant, and economies have to turn to foreign capital. In this consensus, several other contradictions appear:

- The necessary grasp and involvement of the local populations with development agendas is undermined by the dependency on foreign capital;
- Development planning is confronted to financial piloting, the latter often imposing its own imperatives potentially conflicting with the achievement of socio-economic objectives;
- The imperative of financial mutualisation through pooling mechanisms goes against the decentralization process positively giving more power to local authorities;
- And finally, despite the spotlight being on the concept of financing, developing countries are still too often relying on foreign aid.

Policy documents on the issue of financing for development usually do not explicitly refer to any particular theoretic framework. Yet, focusing on the practices implemented, we see that they only fit with specific economic and monetary theories. Other approaches, potentially calling for different policies, are left aside. It is thereby important to explicit these foundations, and to ascertain the relevance of the current approach compared with alternative ones.

Following the description we gave of it, the prevailing financing for development paradigm is chiefly based on the concept of financial intermediation. That is, mobilising available savings and transforming them into realized investments. In this process, financial institutions have an important role to play but are reduced to mere intermediaries, channelling funds from savers to borrowers, following best allocation principles. From a theoretical point of view, this paradigm fits into the prior savings approach, according to which savings are considered as a prerequisite to investment (Thirlwall and Pacheco-Lopez, 2017). Any investment is therefore regarded as conditioned by the existence of savings, and can only be realized if these available savings have been mobilized, whether domestically or globally. As developing economies are considered as not having sufficient savings, this approach justifies external debt and legitimates development assistance, both financing investment in poorer countries with the savings of richer ones. This prior savings approach is thus a non-monetary model of financing, in which the nature of money and the dynamics of its creation are disregarded. The money supply, considered as a limited and rival resource, has consequently to be most efficiently allocated. The allocation process is delegated to financial markets and banking institutions (reduced to their intermediation functions), leading money to be optimally invested where it is expected to have the greatest social utility, measured as anticipated return. The oldest theses of the classical school of economics underlie this prior savings approach, sustaining policies guided by what can be seen as a "radicalisation of the classical dogmas about money" (Harribey, 2012).

Classical economics had troubles integrating money into their models. So did development economics. As a result, a significant share of the financing for development literature ignores monetary considerations, or 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." As we have seen, 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]", and it's only "Once revenues are raised, [that] they must be used efficiently and effectively in pursuit of development" (Lagarde, 2015).

On the contrary of the current prevailing approach, a monetary perspective on financing for development would account for the dynamics of money creation, the forces involved in its circulation and distribution, and the mechanisms of its destruction. Financing issues have to do with the availability, the accessibility and the mobilization of money: to fully address them implies to question these three aspects. For financing to be effective, the monetary resource must exist, the agents in need of financing must have the effective capacity of accessing these resources, and this capacity must be realized in the effective mobilization of the monetary resource. We must therefore pay attention to the barriers potentially arising for all of these three conditions, and to individuals' ability to meet these conditions. Disregarding these monetary aspects, as does the current approach, is not without consequences for developing economies. Its pitfalls can be identified at the macroeconomic level, but also at meso, and micro levels.

At the macroeconomic level first, financing constraints impose particular development models. As stressed by Berr (2007), "behind the issue of the financing mode, it is the choice of a development model that is hiding." For developing countries to have to rely on external financing only allows for an extrovert development model, based on integrating global value chains and mainly export-led. This model has proved to be of little resilience (due to market volatility and capital flight), while generating few spillovers beyond globally integrated industries. Alternative development paths, potentially more beneficial to inclusive development (Chang and Grabel, 2014), are deemed as non-practicable. They effectively are, but only within the acknowledged paradigm. If voluntary policies in general are proscribed, this particularly applies to monetary policy in particular. This raises important political economy challenges, as national policies are actually subordinated to global financial constraints.

Beyond the macroeconomic point of view, monetary dynamics also translate into differentiated impacts at the subnational level. Thenceforth, the mesoeconomic level is relevant to account for the dynamics affecting regions, understood as living areas and defined by their socio-economic fabric. With the focus on external financing, we already stressed the imperative for territories to be attractive. With part of territories necessarily being less attractive relatively to the others, arises the question of what happens to the less attractive ones. These will be left with no fi-

nancing, translating in a low local money supply. There is no reason for the gap between developed and underdeveloped regions to be naturally filled thanks to free flowing capital. On the contrary, capital will be attracted towards regions already benefiting from it, so the geographies of financing will reflect the geographies of current development. Beside the marginalisation of some regions, there may be a polarization of financial flows towards few favoured areas, to the detriment of others, in a sort of local manifestation of the Lucas paradox (Lucas, 1990).

Lastly, the microeconomic level involves the individuals directly concerned by potential financing issues. The financing failures occurring at the macro or mesoeconomic levels will affect the individuals living in non-attractive countries or regions, with negative consequences in terms of living standards and basic needs meeting. As already stressed, the available quantity of money depends directly on the flow of financing. So relatively less financed areas will tend to hold a smaller quantity of means of exchange (with downward pressures affecting this quantity, because of the flows taking place from impoverished to favoured areas). This potential sub-monetisation will arise no matter local available resources or feasible exchanges. In a market economy, these monetary obstacles to exchanges can be seen as entitlement failures, adopting Sen (1990) terminology. One may be entitled to a certain amount of goods and services, based on his own endowments, but his exchange entitlement may be inferior to his absolute (or real) entitlement. The difference between the two is due to the monetary constraints affecting him.

These three dimensions, micro, meso and macroeconomic, are not independent from each other but are actually linked by retroactive phenomena. Indeed, if an individual is living in a non-attractive sub-monetised area, his ability to exchange and meet his basic needs will be compromised: this will in turn affect his human capital. In the aggregate, this will translate in an ever less attractive area, and in a situation of poverty trap: "a self-perpetuating condition whereby an economy, caught in a vicious circle, suffers from persistent underdevelopment." (Matsuyama, 2008). This alters the economy at the macroeconomic level, while impairing individuals at the microeconomic one. This vicious circle can only be broken on the condition of implementing financing policies that run counter wise to conventional free flowing capital-led financing, with investments conducted in the poorest areas.

If money is mainly supposed to be neutral by standard economic theory (regarding money as not having any effect on the levels of consumption and production), we have seen that financing mechanisms, and thus money issuance mechanisms, make it all but neutral. Every monetary unit in circulation finds its origin in a financing operation, so financing disparities or insufficiencies translate into territorial monetary imbalances. The current approach of financing for development, far from resulting in actual financing policies, lead to mere funding processes. While financing necessarily relates to monetary dynamics, funding is only based on transfers of available capital. As we now intend to show, this restrictive approach to financing can be explained by a restrictive approach to money. A better understanding of the nature of money and of its origins would widen the opportunities to address the financing for development problematic.

3. MONEY: ENDOGENOUS TO ECONOMIES AS WELL AS A SOCIAL INSTITUTION

As described in the previous section, in the current paradigm of financing for development, money is perceived as a limited resource which has to be most efficiently allocated. As we wish to demonstrate in this section, this conception of money is inconsistent with the origins of money in our present monetary economies, as well as with the very nature of money.

To speak about financing implies to consider the mechanisms of money creation. If money is the critical element of our problematic, where does it come from? Bank of England economists recently reminded us that "the majority of money in the modern economy is created by commercial banks making loans." (McLeay et al., 2014) Banks do not act simply as intermediaries, contrariwise to the claims of many authors. When this particular role of banks in their money creation function is recognized, the prior-saving approach loses its justification: "Saving does not by itself increase the deposits or 'funds available' for banks to lend" (Ibid.). This is because savings are made at the expense of consumption, while consumption would generate deposits anyway. Banks do not multiply up reserves either: the central bank mostly accommodates the quantity of reserves needed by the banking system. 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." (Ibid.) For these authors, the term "financing" embodies the idea that new monetary units are created.

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 (Keynes, 1936; Marx, 1867; Schumpeter, 1934). Money is endogenous, meaning that "the creation of money is tied to the normal operations of a monetary economy." (Wray, 1990: 1) 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). Future increase in output allows – and justifies – for present increase in the money supply: money creation, through the allocation of credit, is a prerequisite to any development-fuelling investment. This money creation is not "ex-nihilo", but is based on the monetisation of one's capital (Cartelier, 1996), on the production capacity of each.

The post-Keynesian approach we just outlined emphasises the crucial role of money, and the fundamental monetary character of our economies. Yet, this corpus focuses on the economic functions of money, and does not allow to grasp its extra-economic aspects. So it can usefully be complemented by the institutionalist approach to money. Both post-Keynesian and institutionalist bodies agree on the fact that money cannot be treated as a commodity. But the latter stresses that money is first and foremost a social relation. Money cannot be reduced to its functions and must be understood as a collective institution: "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) Money is not the outcome of a natural and spontaneous market system, but money precedes and brings markets into being. Individuals, through the relations they maintain and the rules they enact, 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). Far from having any pre-existing intrinsic value, money gets its liquidity because it is "the socially recognized and legitimized form of wealth" (Aglietta and 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 anything into money, as long as there is a consensus among the members of the payment community, agreeing on a set of issuance rules and on particular monetary signs. This analysis of money as a social construct leads to refute the existence of any naturalized monetary rules, and to temper any necessary prescriptions regarding this domain. Money is always political and its management resorts to its users.

Exemplifying the point that money is not the invariant object that the standard economic theory confers to it, particular monetary tools have been developed in order to be adapted to development purposes. Civic movements led to the emergence of so-called social and complementary currency systems, which 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." (Blanc and Fare, 2012) 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) Here, 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 and 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). Money can finally appear as "a malleable tool that can be adapted for purposes that also belong to the civil society to define" (Blanc and Fare, 2012). It is no longer an a priori given to which we must adapt, but money becomes a tool for action when groups agree on new exchanges rules through innovative monetary schemes.

Beside the general 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 indeed considered as non-bankable because of the high cost implied in reaching them, their low profitability, or because they face entry barriers. This is particularly true for sub-Saharan Africa, where only 34.2 % of the adult population have an account with a formal financial institution (World Bank, 2015) and only 6 % are borrowers (Demirguc-Kunt et al., 2015). Considering the mechanisms of money creation we exposed earlier, these figures imply that endogenous money creation is largely ineffective in such contexts. Thus, a mostly unbanked developing economy has little chance of being adequately supplied with money for its agents to satisfy their needs. This banking / monetary exclusion is independent from individuals' resources, as these resources are often impossible to mobilize as collateral with the formal banking system. Field works show that agents, and particularly businesses from the informal economy, face liquidity constraints arising from a low ratio of locally circulating money over locally available resources. Given available resources, exchanges could be conducted but monetary constraints impede them. This situation is due to financing insufficiencies, of which the monetary aspects are unaddressed.

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, but rather as a socially legitimate unit of account. Given their innovative feature and their potentials, social and complementary currencies may widen the scope of the tools available for financing for development. We here wish to explore this proposition.

4. SOCIAL AND COMPLEMENTARY CURRENCIES AND FINANCING FOR DEVELOPMENT

Social and complementary currencies are mostly created through grassroots experimental niches (Seyfang and Longhurst, 2012): groups of the civil society build particular monetary schemes adapted to the characteristics of the territory where it is implemented, and to the objectives they intend to realize. So several types and generations of social and complementary currencies coexist, mobilizing the monetary tool in different ways. In this section, we analyse the way in which social and complementary currencies participate in financing, and the way they address the limits of the current financing for development paradigm. To do so, we discuss the main existing models of social and complementary currencies, from the point of view of their respective monetary characteristics, and following the four generations classification established by Blanc (2011). Since each generation has its own monetary features, 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 introduce examples from the developing world and briefly discuss them.

The first generation of social and complementary currencies is made of LETS (Local Exchange Trading Systems). 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-exiting 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 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 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, 55 groups have been created in South-Africa, as well as in 13 other countries of the region (Botswana, Cameroon, Ethiopia, Kenya, Lesotho, Liberia, Madagascar, Mauritius, Namibia, Swaziland, Uganda, Zambia and Zimbabwe) . But beyond the large number of registered groups, many of them do not have anything on offer, calling into question their real activity. For South-Africa, the sole two groups of Cape Town and Johannesburg (the first two to be created) concentrate 70 % of total offers. 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" (for 19 % of the offers), followed by "Advice & tuition" (10 %), "Business services" (9 %) and "Entertainment & recreation" (7 %). So the CES does not appear as a system in which people assist each other for basic needs, but rather as 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 this first generation, forming a "G1 bis": it is the "barter markets" (as called by Seyfang and 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 scissors cut, as they were at this time the only available mean of exchange (Gómez, 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 ¼ of their needs thanks to the Trueque, 42 % covered half of their needs, 18 % covered ¾, 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, as it was part of a coping strategy to a harsh crisis situation, it did sustain the basic needs of a large share of the Argentinian population, and (at least partly) sustained the local economic fabric.

Another example 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). 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 is close to the Argentinian Trueque (issuance at joining time, no backing in national currency, no convertibility). 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.

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, with the youth taking care of the elderly. To exchange goods in a timebank is only the exception. In this regard, as it appears difficult to fuel a development process with services, timebanks may not contribute that much to financing for development. But it can complement it by fostering the social dimensions of development. To our knowledge, there is no timebanks 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 (sometimes 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 spreads 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 and 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. 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 countries and their respective 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 only inside the community without leaving the area. 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. 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. 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.

So 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 financing in table 1.

Generation	*Types*[1]	*Monetary characteristics*	*Financing aspects*
G1	Mutual exchange systems and barter markets	Mutual credit clearing, inconvertibility.	Free access to credit.
G2	Service credits	Mutual time credit clearing, inconvertibility.	Free access to credit for services only.
G3	Local currencies	Convertibility, tied to and backed by national currency.	Increase of the local multiplier
G4	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

In section 1, we stressed that financing relates with three elements, all needing to be addressed: the availability, the accessibility and the mobilization of money. To varying degrees, social and complementary currencies reduce the obstacles potentially arising at these three levels. In terms of availability, SCCs can help to mobilize resources in favour of an impoverished area, and to confine these resources to the local economy. They can even lift the availability condition by allowing trading without any prerequisite. They also help in curbing capital movements spontaneously making money to flow from poorer to richer areas, safeguarding the availability of the monetary resource in poorest ones. In terms of accessibility, when developed in areas not served by formal financial institutions, SCCs can complement them. At the user's level, SCCs schemes will also value other types of resources – including human capital, which could not be used as collateral with the formal financial system. Finally, in terms of mobilization, investments can be undertaken on a collective basis, thereby reducing the risk for entrepreneurs. Individual investment will also have greater chances of success when being part of a coherent local development project, which a SCC can participate in constructing.

If the contribution of social and complementary currencies to financing for development may still be weak, and acknowledging that they cannot address the all financing for development problematic, to look at these particular object highlights, in mirror, the deficiencies of the current approach. With SCCs, monetary innovation directly participates in development financing, without relying on the mobilisation of exogenous financial resources. In many cases, financing is realised through the recognition of inter-personal credit relations and the activation of the community's own resources.

5. 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.

[1] Seyfang & Longhurst (2012) identify 4 types of "community currencies", which fit into the first three generations of Blanc (2011).

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. 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. If their contribution to productive investment is still weak (Schroeder, 2015), they remind us of the monetary aspects of development, and beside its economic features, support its social or environmental dimensions.

These different dimensions of development may not be reducible to a single currency. In particular, different types of monetary tools could be mobilised in order to conciliate the different territorial scales of the development process, following a principle of monetary subsidiarity (Fare, 2018). In any case, even from the strictest economic point of view, money does matter.

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