

Recognising the need to support new financial tools to support rural economic and community development

Dated: June 2014

Author: Jan Van den Berghe (SPK)

Representing: Flemish Land Agency (VLM)

Summary

This paper is based on the publication 'Alternative Financial Systems for Rural Areas' (Sylvie Fosselle – Vlaamse Landmaatschappij) (VLM) and focuses on the range of alternative financial systems and on the way government could react on these.

Issue/Problems

Rural Alliances is about how to strengthen the vibrancy of rural areas. Among other aspects, the success of strengthen vibrancy is definitely influenced by the availability of financial resources. In times of decreasing availability of financial resources (and certainly public money), society is searching for new forms of financial resources. The conclusion is that the development of alternative financial systems is going fast and wide.

Alternative financial systems are systems which are used between parties to pay for a product or service on another way than normally created by banks of government.

Of course, the first reason to do such a thing is the lack of money in a traditional way. Alternative financial systems can be developed for a lot more interesting reasons:

- Social motives: alternative financial systems are usually based on collaboration concept. The transaction is more than the fee for a service or product, there is a social goal too.
- Another concept of profit: alternative financial systems want to create added value in more than a financial point of view. It's about maximizing the objective rather than maximizing the profit.
- Motives based on societal values: alternative financial systems try to capture values, which are difficult to capture in financial terms.
- They put money in a broader social and ecological context: money is a social system or money is an ecosystem. This provides another way of looking at our economic system and other ways of coping with problems.

Because of the different motives, alternative financial systems exist in very different ways. People create the way that fits most with the motive they have. This means that not all systems are successful or useful everywhere. But it is above doubt that the market of alternative financial systems is growing.

We think this paper can be useful for every rural area in the whole of Europe.

Background

There are a lot of alternative financial systems. Even the publication 'Alternative Financial Systems for Rural Areas' is far from complete, but it gives a good overview:

- Voluntary contribution: a great variety of tools is known. The most important or well-known are gifts, volunteering, sponsorship, crowd funding, interest – free loan, regional fund, etc.
- Alternative financing by supplying services or products: the most important or well-known systems are visitor pay back, groengarantie, tradable development rights ...
- Complementary currencies
- Cooperatives

Interests in the issue

The essence of alternative financial systems is that they are mostly developed by people and not by government. This doesn't mean that government cannot play an important role in how to handle them. Even more, government can play an important role, such as:

- Informing en sensitizing: alternative financial systems are rather new, but they promise new forms of societal building and delivers funds to do that. So, the government can play an important role in the promotion of such systems.
- Research: alternative financial systems are rather new and in full development. It is important to do good research and follow up the effects of the systems.
- Legacy aspects: alternative financial systems are rather new and so, it is important that government provides a legal framework that motivates (rather than discourages) the people to set up or participate in those systems.
- Looking for balance: alternative financial systems can create new ways for societal services, but it is important that government thinks about what can be done with these systems and what not. Balance between what civil cooperatives, private parties and government provide is very important.

Does it work?

Alternative financial systems are at the moment a fast growing child with a thousand faces. Sometimes very successful, sometimes not. But it is at least an interesting and important chance for rural development.

Author

Jan Van den Berghe (SPK)

Contact Details

Goele Vercammen

VLAAMSE LANDMAATSCHAPPIJ - SAMEN INVESTEREN IN DE OPEN RUIJTE
dienst projectrealisatie, VLM Regio Oost ((Antwerpen – Limburg – Vlaams-Brabant)
vestiging Herentals, Cardijnlaan 1 – 2200 Herentals – Flanders, Belgium
T (0032-014) 25 83 89 | E goele.vercammen@vlm.be

This policy recommendation paper has been jointly produced as part of the Rural Alliances project, involving twelve partners from Wales, Ireland, France, Germany, Netherlands and Belgium.

The project is co-financed by the European Regional Development Fund through the Interreg IVB North West Europe Programme, to promote strong and prosperous communities.

*Policy Recommendation Paper 05 - Recognising the need to support new financial tools
to support rural economic and community development*