

Social Enterprise Partnerships: Tools for Conviviality

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BALTA Symposium – November 2008

Credit Crunch: Banking for People?

'The trouble with banks is they only lend you money when you don't want it!'

Groucho Marx

'In future the question will not be, "Are people credit-worthy?", but rather, "Are banks people-worthy?"'

Muhammed Yunus, Grameen Bank

Defective Banking and Capital Markets – Social Injustice

- (i) 1% of US households own 20% of GDP, 35% of assets (\$17 trillion), 51% of stock and 70% of bonds.
- (ii) 50% of low and moderate income US households own 2.5% of assets. Real wages less than 1980 for 100 million workers.
Transfer rate of £1 trillion a year to the top 1%.
- (iii) 500 American billionaires own more wealth than half the earth's population.

Radical Monopoly - Industrial Serfdom & Financial Feudalism

Ivan Illich: analysis of systemic enclosures to social and ecological change -

- (i) State education (ingrains competition)
- (ii) Health system (sickness and drug industry)
- (iii) Car industry (fossil fuel dynamo)
- (iv) Tourism (monetises and destroys culture)
- (v) Global banking (debt dependency)

Tools for Conviviality

- CiDoC Centre (Illich, Freire and Fromm)
- Convivial tools – democratic, enabling for people and restorative for the planet
- Manipulative tools – addictive, authoritarian and destructive
- Institutions and tools along a spectrum (eg. public footpath v. motorway)
- True or False Utility? (telephone v. bank)

Structuring Co-operative and Ecological Behaviour

General Systems Theory – Radical Social Science

‘We make our tools and then they shape us.’

Kenneth Boulding – Peace activist and Ecological Economist

Socially Directed Investment

Social investment: forgotten history

- Usury laws, Just Price, Islamic banking, Co-op principle on limited return on equity and Credit unions.
- Keynes: defined public investment as social investment
- SRI funds movement today, micro-credit and community development finance

Types of Banking

- (i) Commercial banking – bailed out and now even larger globally
- (ii) Investment banking – few global ones left
- (iii) Development banking – overlooked and out of fashion, but with huge potential now if restructured in a ‘convivial way’

Social Enterprise Partnerships – Dual Mission

- (i) Local, human, and social development plus ecological restoration
- (ii) Financial products and Investment instruments linked to social enterprise solutions
- (iii) Double or triple ‘bottom-line’ outcomes
- (iv) Group legal structure can lead to ‘convivial technology’ – true, public utility

Social Enterprise Partnerships

For local socio-economic re-structuring:

- (i) Community Banking Partnerships
- (ii) Community Land Trusts
- (iii) Mutuels for self-employed people
- (iv) Community Energy Partnerships

The need for Community Banking Services in Britain

- 2.2 million households outside the banking system – 59% are social housing tenants
- 2.5 million customers of predatory lenders and 7 million sub-prime customers
- 40% of British households have no savings and 35% no access to mainstream credit
- No usury laws in Britain: legal charges range from 70%APR for pawnbrokers to over 500% APR for moneylenders

Community Banking Partnership Pathfinders – England and Wales

1. Sheffield
2. Liverpool
3. East London
4. Portsmouth
5. Coventry
6. Devon and Cornwall (rural)
7. Mid Wales (rural)

Community Banking Partnership

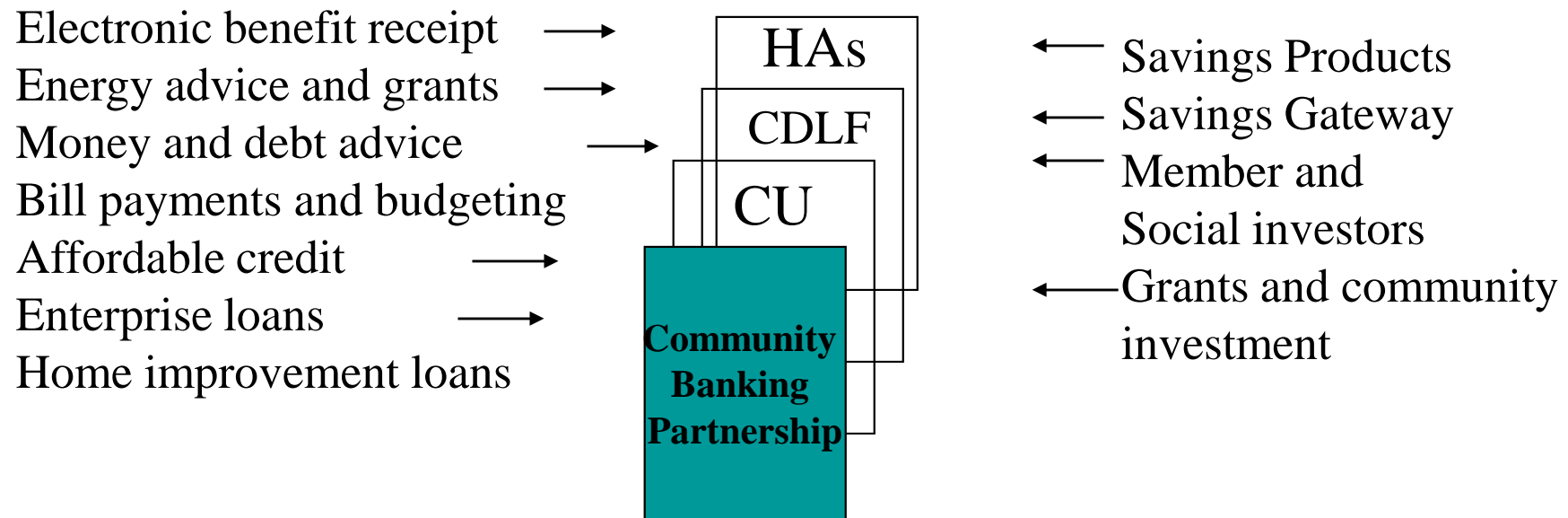
- (i) Inspired by American Community Development Credit Union Group Structures and the Irish Credit Union MABS system
- (ii) Three companies involved with CBP:
 - Credit Union or Credit Unions
 - Community Development Loan Fund
 - Social enterprise development company (educational and advisory services)

Community Banking Partners in England and Wales

- 11 credit unions
- 6 community development loan funds
- 9 money and debt advice organisations
- 24 housing associations
- 9 local and regional government bodies

Convivial Technology

Community Banking Delivery Structure



Fair Finance - London

Community Banking Partnership

- Community Banking services supported by four housing associations in East London with 6000 tenants – jointly fund two money advisors
- CBP service provides access to bank accounts, affordable credit and money and debt advice
- Trains housing association staff in community banking and basic advice help
- Reduced tenant debts by over £1 million and rent repayments plans set up for £220,000
- 500 affordable loans and £600,000 advanced to tenants in past two years

Social Enterprise Intervention Model - Calculations

- Southern Focus Housing Group - Social enterprise investment of £92,582 yearly
- Tenants assisted: 160 a year and positive outcomes for 96 a year
- 14 evictions prevented: net saving of £97,248 and 14 foreclosure hearings avoided: net saving of £37,344
- Other savings for 67 tenants of £5,578
- Cost/benefit: net savings of **£47,588**

Housing – Crisis of Affordability

- **Public sector employees** – 60% earn under £16,000 yearly and average house price over 10 times this level in 2007
- **1996 – 2007:** house prices rose by 204% and average wages by 94%
- **Sub-prime lenders:** 80% made loans in 2006-2007 without checking affordability
- **Credit crunch:** ending of easy-credit, deposits typically now £17,000

Community Land Trusts – Young Movement

- First CLT in USA in 1968 - but most projects since 1995 (220 CLTs in 40 American states)
- Scotland: developments in rural areas with support from Scottish Parliament since 2003 (25 CLTs)
- England and Wales: first projects being set up now, mostly rural (5 CLTs set up and 20 in formation)

CLTs – Past and Present

- Reverses enclosure, first proposed by Thomas Spence (1775) as 'Parish Land Trusts'
- Developed by the Co-op movement: Robert Owen, Chartists and John Ruskin 1830 to 1890
- Letchworth Garden City (1903) 'Co-op Land Society' – Ebenezer Howard, Unwin and Parker
- Gandhi and Vinoba Bhave – Bhoodan and Gramdan movement
- US civil rights movement – Bob Swann
- Scottish Community Land Buy-outs

CLT Pioneer - England

Stonesfield Community Trust

- (i) Founded in 1983 – led by Quaker activist
- (ii) Donated quarter acre site in Oxfordshire village for affordable housing for local people
- (iii) Secured planning permission – raised site value from £3500 to £150,000
- (iv) Raised a mortgage and ethical investment from local people and Quakers
- (v) CLT has developed 12 units of low-cost ‘green housing’ and workspace and retail units

CLT Pioneer - Scotland

Isle of Eigg Heritage Trust – Land for People

- (i) Community organised buy-out of the island for £1.5 million: struggle for decades with absentee landlords
- (ii) CLT established in 1997 – has developed community owned businesses: including shop, tourist facilities, workspace, hydro power plants and wind farm (energy now 98% renewable)
- (iii) Successful struggle led to Community Land Unit and Land Reform (Scotland) Act 2003 giving communities a pre-emptive ‘right to buy’ and also setting up the Scottish Land Fund

Five steps to affordability

1. Gifted or heavily discounted land
2. Gifted and discounted professional services (eg. involve as Board members)
3. Cost-effective, energy efficient design and economical construction techniques
4. Reducing the need for bank borrowing and minimising interest payments
5. Co-operative housing - through a Mutual Home Ownership Society (MHOS)

Securing land and Local Planning Permission

- **Local Government Act - Section 106 agreements:** requires developers to set aside land for affordable housing to secure planning permission
- **Rural exception sites:** allows land to be accessed at agricultural prices for meeting local needs for housing development
- Difficulties in most urban areas in Britain – to find a site to make a start

CLT Target Housing Costs

- 3 bedroom house: £120,000 (£220,000)
- 2 bedroom house: £100,000 (£168,000)
- 1 bedroom flat: £70,000 (£100,000)

Reducing Financing Costs – Current Methods

- Scottish Land Fund – feasibility study grants and loan finance
- Community Land Trust Fund – technical assistance grants and pre-development revolving loans (site surveys, architect fees and planning fees)
- CLT can use Industrial and Provident Society to promote an ethical share issue to raise capital locally towards costs (Stonesfield model)
- Champlain Land Trust (Burlington, Vermont) gift aid system
- CDS Co-operative Housing Finance Society (loan guarantee mechanism for co-op housing)
- Venturesome and Charity Bank – specialist finance

Mutual Homeownership (MHOS)

- Housing Co-op owns the dwellings
- Separate CLT company owns the land
- New members make a 5% deposit
- Mortgage is corporate
- Full repairing lease based on 30% to 37% of household income
- Lease payments convert to equity stakes
- Co-op pays members leaving their equity less 10%

Gloucestershire Land for People

- Seeking support for first MHOS project
- Cashes Green, Stroud: former hospital site
- Planning for Real with 200 residents
- Development of 77 Eco-Homes: 50 MHOS and 27 open market to cross-subsidise
- Community centre and health centre
- 25 allotments and nature area
- £8.8 million mortgage – CDS Co-operatives

Organising Decentralisation - Commonwealth Societies?

- (i) Local co-operative societies have declined:
1400 in Britain in 1910 and under 50 today
- (ii) Transition Towns and social enterprises need a
democratic vehicle for decentralising activities
- (ii) Commonwealth Societies could play a key
educational and strategic co-ordination role for
local social and ecological enterprise activity and
social enterprise partnerships – a Guild of Local
Economy Arts and Crafts?