Grassroots Innovations for Inclusive Economic Growth

Estrad Lecture
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Structure of Presentation

- Research Overview
  - Overview of the field of social entrepreneurship and grassroots innovations
- Vignettes from the field
  - Grassroots innovations for inclusive economic growth
- A few lessons
Overview of the Field of Social E-ship

Quest for definition

• Disagreement on whether a commercial business model is central to social e-ship
• Agreement on the social mission of social entrepreneurship

"Social entrepreneurship is the process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities and the use of a wide range of resources"
– Bacq and Janssens, 2011

“Markets do not work well for social entrepreneurs [for] they do not do a good job of valuing social improvements”
– Dees, 1998

Social E-ship: Organised bottom-up efforts aiming at social change.
(Variety of logics/models can be put at work to ignite that change.)
Overview of the Field of Social E-ship

Individual level ("the social entrepreneur")
• entrepreneur’s traits, abilities and experiences
• passion and entrepreneurial spirit

Organizational level ("the social enterprise")
• studies the management, financing, and growth of social venture start-ups
• discovery and sustainable exploitation of opportunities
• the conflict of commercial and social logics within the organization (hybrid org.)

Inter-organizational level (the networks of support)
• Partnerships across sectors to catalyse change (conflicts and synergies)
• Incubation and network support made available to social entrepreneurs and ventures

Focus on entrepreneurial management
Silence on these initiatives' social mission and relation to target communities
From Social E-ship to Grassroots Innovations

Organising bottom-up efforts aiming at social change

1. From a focus on the (social) entrepreneur to a focus on the social entrepreneurial and organizational process

2. Collective nature of the work needed in processes of organizing – organizational agency is a collective endeavour – need to look at the strategies and practices used to mobilise stakeholders and resources and bring collaboration for social change

3. Importance of the material, social and symbolic dimensions of both the entrepreneurial process and the social issue aimed at. Resources are seen not only in the form of networks and economic assets, but also, and as importantly, in the form of affects, traditions, cultural notions and local communities

4. The political dimension in social entrepreneurial processes and, with it, a parallel shift of attention from the economic to the social dimensions of “entrepreneuring” (social change)
Our Work
2050: 75% of the world’s people will be living in cities
A Planet of Slums
Replete with Grassroots Innovations & Social E-ship
The aim is to examine how grassroots organizations providing critical services contribute to improve the quality of life of urban dwellers and more inclusive forms of urban governance constructing the city from below.
The Context

Kisumu and its Informal Settlements

Map 2: Informal settlements in Kisumu
Source: Cities without slums – UN-Habitat

<table>
<thead>
<tr>
<th>Task forces</th>
<th>When created</th>
<th>activities</th>
<th>service coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solid Waste Management Task Force</td>
<td>2009</td>
<td>-Waste Collection -Clean ups</td>
<td>15% - Waste Collection</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5% - Clean ups</td>
</tr>
<tr>
<td>Sanitation</td>
<td>2009</td>
<td>-Sanitation champions fighting open defecation</td>
<td>20% - Sanitation</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>2009</td>
<td>Promotion of solar lighting and solar cookers.</td>
<td>5%</td>
</tr>
<tr>
<td>Urban Agriculture</td>
<td>2009</td>
<td>New technology in farming eg sack gardens.</td>
<td>5%</td>
</tr>
<tr>
<td>Housing</td>
<td>2009</td>
<td>Advocacy for improvement of housing</td>
<td>5%</td>
</tr>
<tr>
<td>Health</td>
<td>2009</td>
<td>Promotion of community health volunteers to improve health at household levels and prevent maternal deaths</td>
<td>40%</td>
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</table>
Grassroots organisations involved in the production and governance of critical services and infrastructures are characterised by:

1. Partial organizations creating the illusion of true organizations
2. Critical but hidden material/organisational infrastructures
3. Nested versus floating infrastructure:
4. Dormant but visible infrastructure
1. Partial organisations

Create the illusion of true organizations

- Apparently a 'true organisation' (Brunsson, 2006), but rather responds to the concept of partial organisation (Ahrne and Brunsson, 2011), with the 'minimum sets of elements' (Simone, 2004)
- RA as a legitimate organisational form as it covers a broad territory
- Recruiting existing organisations: boda boda, table banking

“RA are not reliable, never elections… RA are very amorphous”

– County officer
2. Critical but hidden organizational infrastructures

- While some task forces are fluctuant, water & table banking are stable
- Provide critical material and organizational infrastructure: “Water is the mother of others, water is life” “Money matters”
- Providing cohesion, sense of belonging, stability and continuity
- Remain invisible for outsiders (Start 1999), to the untrained eye of the foreigner (Hyden, 1983)
3. Nested, but Floating Infrastructures

“We are partners, to succeed... we need to bring in groups like women groups, self-help [groups], we are an entry point in the settlement, we identify who, what groups are successful”

Nested infrastructure (Ostrom, 1990)
Task forces, Obunga

Floating infrastructure (Melucci, 1996)
Table banking Manyatta
4. Dormant, but visible infrastructures

- Quickly articulated when resources arrive
- Operative because of the critical infrastructure, providing the minimum activity to keep the cohesion of this loose organisation
- Members of dormant groups move to other active ones. Knowledge & competences remain in the RA
- Or 'dormant or disappeared' groups are called back if necessary under the RA
The project aims to investigate the governance practices, impacts and diffusion of grassroots innovations, which are developing financial and monetary infrastructures for inclusive economic growth (among low-income micro-entrepreneurs and civil society organisations delivering critical services and goods) in urban informal settlements.

Community Currencies as means of Local Economic Empowerment

Introduction

With over half of the world’s population now living in cities, many urban dwellers reside in informal settlements characterized by poor basic infrastructure and high unemployment rates. An extensive informal sector of individuals and grassroots groups provide critical services such as water, sanitation, food, or transportation. Yet, owing few assets and with no access to financial institutions, their income hardly covers their livelihood costs, and their savings capacity is almost non-existent.

In this context of financial hardship, community currencies have become particularly promising in low- and middle-income countries. Community currencies are locally-issued tokens, the purpose of which is to facilitate exchange in areas where the national currency is scarce, such as informal settlements. From Mexico to Brazil to Kenya, poor communities are developing bottom-up financial tools that strengthen local micro-entrepreneurs, develop local markets, enable networks among community members, and construct bridges with local authorities. The Kenya community currency builds on a collaborative credit model in which networks of local businesses in informal settlements come together to extend an interest-free credit to each other, which is renewed every year. The credit-based currency is used for exchanging the goods and services needed to extend to members’ daily needs. These community currencies have succeeded in reducing money leakage from informal settlements, facilitating local exchange of goods and services, and increased individual capacity to save in the national currency (www.communitycurrencies.org).

While community currencies offer a tool for more inclusive local economic development and governance, some challenges remain. Mainly, we know little about the more sustainable governance structures. Also, the very trait that ensures these currencies work for the benefit of the local community – their geographically limited use – also constrains their ability to diffuse and grow. Finally, we know little about how local governments can best support these grassroots innovations for more inclusive governance.
The less money circulates, the less economic activity there is.

The more money circulates, the more economic activity there is.

Hoarding vs. spending
Leakage vs. localization
Vignette 1

table-banks
Vignette 2

Miyani-pesa in June 2019
## Two distinct logics

Synergy or one taking over the other?

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<td>Open to all (individual airdrop)</td>
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## Two distinct logics

Synergy or one taking over the other?

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<td>Open to all (individual airdrop)</td>
<td>Clear boundary: Well defined community of members</td>
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<td>Goal: Inter-national/community infrastructure</td>
<td>Goal: Community resilience</td>
</tr>
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<td>Standardised tech solution and design of monetary governance rules</td>
<td>Governance rules designed to fit the traits, needs, and goals of specific community</td>
</tr>
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<td>Assumes classical <em>homo economicus</em> as model of individual economic actor</td>
<td>Acknowledges the coexistence of impersonal financial transactions with interpersonal intimacy</td>
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<td>See economy as separate from social relations</td>
<td>Work on an understanding that economy and community/social relations are tightly connected</td>
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Vignette 3

A fiat gateway + ...
Vignette 3:

... + table-banks
What happened?

Fast diffusion...
What happened?

Cooperative businesses
“It will only work for a short time because, do you know where the agent is getting her money from? GE. And do you think GE will continue doing that? [and answers herself] No, they won’t. It’s better people trade with each other. When you have mutual understanding with each other, it’s better than having someone exchanging your currency to KSh.”

– Lydia, former GE officer, Mombasa, September 4, 2019

In regard to the token technology let’s consider the ownership and the sustainability of the technology, let the community take the lead role.

I strongly feel we don’t need an expensive technology that the community will not be able to run without external support in the future.

– Silas, WhatsApp text, January 14, 2020
Members of *Vyogato table-bank* tell me that they take individual Sarafu loans “to save in the group so that the group can buy the maize to grain.” They also tell, that when individuals do not have Sarafu to repay their Sarafu loans, they do pay back in KSh. They do this digitally, not cash: they go to the M-pesa agent to buy M-pesa with KSh so that they can send the M-pesa to the chama’s phone.

– Fieldnotes, November 15, 2019
What happened?

But…

Introduces speculative behaviour (homo economicus)

Jakob tells us that he always looks at the exchange rate when redeeming Sarafu for himself or the table-banks, and that Nadzua and Mwanaidi also do so. He must have taught them for Nadzua didn't know how to do this last September. He shows us how to look at the conversion rate of Miyani-pesa to KSh and we see that today, the rate is 1.28 KSh for 1 Miyani-pesa. To our surprise, as we never thought of the possibility of getting more for your pesas in KSh than the nominal value, Jakob says, “it is still low. We’ll wait till it gets 1.8 to exchange the Sarafus.”

– Fieldnotes, November 16, 2019
What happened? BUT...

Closes the black-box of monetary/innovation design

Table-banks groups as Central Banks

\[
CIC \text{ Issued} = S \left( 1 + \frac{\text{Added Reserve}}{R} \right)^F - 1
\]

\[
\text{Reserve Redeemed} = R \left( 1 + \frac{\text{CIC redeemed}}{S} \right)^{\frac{1}{F}} - 1
\]

“moving aid into impact investment makes me happy”
– Will Ruddick, January 13, 2020
Some food for thought
## Take-Aways

<table>
<thead>
<tr>
<th>Conventional thinking</th>
<th>Lessons from the Kenyan Community Currencies</th>
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</thead>
<tbody>
<tr>
<td>Money is an institution neutral to the level and form of individual economic behaviour and degree of entrepreneurial activity.</td>
<td>The form money takes shapes economic and entrepreneurial behaviour. Some monies help forge community bonds, while others lead to exclusion and exploitation. The challenge lies in knowing the difference.</td>
</tr>
<tr>
<td>Technology consists of tools and instruments neutral to the structure of a community.</td>
<td>Technology incorporates the set of values, beliefs and governance rules of its designer, thus forcing onto its users those values, beliefs and rules.</td>
</tr>
<tr>
<td>The economy and community are two separate spheres. Bringing money in only risks commodifying community relations.</td>
<td>The economy and community are tightly intertwined. Social relations shape and is shaped by economic relations. Building on these relational practices can help diffuse innovations faster and make communities more resilient.</td>
</tr>
<tr>
<td>Common approaches to social challenges involve standardised knowledge generated by donors, int’l organizations and social entrepreneurs distant from the communities living with the challenges.</td>
<td>Through community-based organisations and participatory processes, grassroots innovations build on local knowledges, practices, and structures thus empowering communities to “make” and govern their own solutions.</td>
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Food for Thought

If neither money nor technology are neutral, if grassroots innovations such as these incorporate the values, beliefs and governance rules of those designing them, then:

- Who is the grassroots? Who is the community? Where do boundaries go? Who decides that? And how is that decided?
- How does boundary marking shape development and diffusion of the innovation?
- Who has the right to design and innovate?
- Whose knowledge is more legitimate?
- Does the answer hinge on who the one answering sees as “her” community? (ex. “transparency”, for whom? This defines your other and thereof, your community).
- How do power differences among actors shape the entrepreneurial process and the final innovation?
- To what extent can these communities and innovation processes inform public policy?
Thank you!