

Values Based Banking : Bringing the Voice of the Citizen into Finance.

The Vienna Group of Citizens' Call to Action in
response to the UNEP Inquiry into the Design of a
Sustainable Financial System

2015



The Inquiry into the Design of a Sustainable Financial System has been initiated by the United Nations Environment Programme to advance design options that would deliver a step change in the financial system's effectiveness in mobilizing capital towards a green and inclusive economy. A group of concerned citizens met at the international banking summer school in Lyon 2014 and founded a working group with participants from 7 countries from social banking, civil society, business and academia. We are all practitioners who can see that a sustainable and responsible financial system is possible if certain core values of sustainability, transparency, diversity, fairness and inclusion are at its core. We have submitted a working paper to the Inquiry to stimulate discussion. It is time we stopped turning a blind eye to what is wrong with the financial system and in opening our eyes, turned our face towards a values based system. Here is our CALL TO ACTION.

About the Inquiry

“Financing remains one of the greatest challenges in advancing sustainable development. Today there has been much progress, but not enough to prevent growing local and global environmental stress. UNEP has therefore taken a step in supporting the transition to a green economy, by establishing an Inquiry to explore and develop policy options for better aligning the financial system with the needs of sustainable development”. *Achim Steiner, Executive Director, UNEP*

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Established in 2014, it will publish its final report in the second half of 2015.

Working paper series

The Working Paper may be sourced, inter alia, at www.inaise.org; www.social-banking.org. It is intended to stimulate discussion. The views expressed in the paper represent those of the authors and do not necessarily represent those of the host institutions or funders. Three papers are available to download: this Call to Action; the final edited working paper; and the unedited original text.

Working Group

The report and the Call to Action were prepared under a process convened by Jen Morgan, Founder, Finance Innovation Lab and Malcolm Hayday, formerly General Manager, Institute for Social Banking and founding chief executive, The Charity Bank Limited, UK, working with Jean-Pierre Caron, Melanie Gajowski, and Radek Halamka in overseeing the production of the report. This writing team cooperated within a wider working group that also comprised Fabio Costantini, Christa Maier, Gerhard Pischinger, Adrian Sachse, Denise Weiss, Bruno Iserbyt, and Peter Quarmby. The group received administrative support from Patricia Ciecierski of the Institute for Social Banking. The report also benefited from valuable inputs of peer reviewers drawn from values based banks, regulators, social entrepreneurs and watchdogs.

Acknowledgements

The initiators of the report came together at the Institute for Social Banking (ISB) international summer school in July 2014. We are located across Europe and our individual networks connect to thousands of people. Whilst our individual backgrounds give us a broader European focus, through our institutions’ membership of networks such as FEBEA, the Federation of European ethical and alternative banks; relationship with GABV, the Global Alliance for Banking on Values, and INAISE, the International Association of Investors in the Social Economy, we have a more global reach.

A Call to Action

Today's financial system is in many ways too large, too complex, and too removed from the real economy. It has become focused on short term profit maximisation, it does not pay enough attention to social and environmental risks, and it leaves 2.5 billion people without access to adequate or any financial services. In Bolivia in July 2015, the Pope spoke of an economy which kills and which excludes.

The economic crisis and its aftermath, which started with the financial crash of 2008 has reached across the world. While the real economy has experienced shocks from this the financial economy has bubbled unconstrained with a massive increase in uncontrolled capital flows and speculative investment just seeking high returns in the short term, forcing the creation of new financial assets in order to generate more profits than possible through productive investment.

We believe that the current financial system has failed us and the planet but that we can no longer continue to tinker. It is time for a paradigm change. We know that is simple to say and extremely difficult to achieve. It requires political will and vested interests to vote to be divested but it has to happen. No ifs, no buts. Citizens around the world are beginning to demand a financial system fit for and working for citizens and the generations to come, not the other way round. We remain concerned how little light is being cast on the whole question of values in the system, not just in banking although that is where we have focused. The values we deem essential are those of sustainability, transparency, diversity/fairness and inclusion. From this core others flow.

Values in the Driving Seat

We have a vision of the future that goes beyond tinkering, making do or even shoe horning a values based framework into models of the past. It is a vision that permits us to leap somewhere that seems better than where we are right now because without a sustainable, inclusive financial system we cannot have a sustainable society. We recognize our collective responsibility for the many systemic breakdowns in our societies and ecosystems and that citizens collectively, as well as individually, must accept a broader responsibility to act. Finance has lost its way, strayed from its stewardship role

into activities totally unrelated to the real economy and its needs. Too many people remain excluded from the financial system and from access to fair finance. While socially responsible investment strategies have led the way in directing resources towards solutions based socio-economies, social inequality and environmental degradation have reached unsustainable levels. UNEP, itself, recognizes that finance remains one of the greatest challenges in advancing sustainable development. Yet the health of the financial system is ultimately conditioned upon the health of our world. There is no more time for working around the edges: a paradigm shift is required. As Donella Meadows says in her seminal piece of Leverage Points in The System¹- to truly change a system requires a shift “The mindset out of which the system — its goals, power structure, rules, its culture — arises”.

We believe that the financial system shall be driven by mindsets and values that support what is most important to all of us: the wellbeing of individuals and nature whilst ensuring a sustainable economy. Values based banking, which includes customers and other stakeholders in its governance and operating systems, is the pivotal actor around which new socio-economic institutional arrangements can be built. Values based banking is purposively oriented towards the development of a values based economy where the ecosystem is a living whole of which humanity is only one part and which includes care of the soul. In this complex web of interrelationships all species are dependent upon each other and it is the organic pattern that needs to be sustained. No one part can be considered as separate from the whole. Even with new technologies and innovation, the idea of endless economic growth is unsustainable and new economic and financial models are required which respect and support the ecosystem of which we are a part, rather than seeking to control it.

If we want the financial system to change we need to make clear what kind of values we aspire to and have them applied in all aspects of the financial system, not just to financial transactions and make the impact visible by publishing respective key performance indicators.

¹ <http://www.donellameadows.org/archives/leverage-points-places-to-intervene-in-a-system/>

Who has the Power?

We believe that the financial system is currently driven by a small group, holding political or economic power which results in serving its own self-interest. Lack of transparency and information asymmetries make it difficult for citizens to influence the overall direction of the system. Empowering citizens and civil society in financial and economic matters requires a fundamental change in our approach to education and initiatives to increase financial literacy. A fundamental understanding of money and finance and what a values based economy means should be accessible to everybody and part of basic education. Additionally we need to help civil society have access to places of power so that they can have a seat at the table in decision making. This requires civil society to be more strategic and a more influential source of change. We welcome dialogue with civil society movements and sustainable development groups to explore how this can be best achieved.

Meet Reality

We believe that the financial system needs to be a supportive system, a servant of society and not an end in itself, the master. Consequently there is no room for financial products or processes that are in place just for the sake of generating money from money. The time for a narrow competitive focus on developing a market for individual products and brands is outdated. Every financial transaction needs to have a direct connection to a transaction in reality. Products and processes not fulfilling this condition, should either to be forbidden or at least punished by higher taxation.

Crowdfunding, Crowdsourcing, Crowdlearning

We believe that no one person, organisation or group is able to solve all the issues we are facing but that solutions lie within the crowd. The financial system has become much too complex. There is no one-size-fits-all approach or one solution. There is a need for a process of research and learning. Many, often small examples of new niches of ideas can be role-models from which to develop a collective and democratic change-process.

Innovation for Good

We believe that modern technologies allow us to find new paths on the way to an inclusive and sustainable financial system. We see potential in how technology can support engagement and responsibility with its emphasis on the personal and the social but in doing so we need to ensure that the original promises of the internet, openness, transparency, freedom and universality are not lost.

Innovation laboratories need to be established to apply those technologies, combined with appropriate methods, to come up with new solutions enabling change of the system as such and the way we use money in real life.

Key actions

- Restore trust and integrity to the financial system which should be held as a commons and to include complementary currencies.
- Transform the financial services industry from extractive to restorative and creative of community health and wealth.
- Regulators to take a long term view and to invest time in understanding the risks extant in the firms they supervise.
- Support a financial transaction tax and the removal of anomalies in the tax treatments of debt and interest.
- Encourage diversity of values based intermediaries in the financial system, both in the formal regulated sectors and in complementary areas such as revolving loan funds, crowd platforms and community development financial institutions and in public as well as private or co-operative ownership.
- Encourage the development of networks and apex organisations to further the development of values based banking
- The encouragement of South:South and triangular co-operation to hasten the adoption of values based banking on a global scale.
- Encourage direct citizen participation in the design and implementation of new products such as crowd funding as well as in the system overall.

- Values based banking has a social mission to win over market oriented stakeholders to the values based economy. Social media networks can play an important dissemination role.
- Define a new role for banks in society, moving beyond traditional models of corporate philanthropy, CSR and sustainability programmes to building banks that create at least shared value by using their financial capability, access to capital, core products and services, scale and history of innovation to advance social progress whilst also ensuring their own long term future.
- Create a collaborative group of like minded values based thinkers and deliverers to take forward these actions.

For too long, citizens have been fragmented and cause focused but we are now coming together as we begin to understand that the only ways to reach a genuinely sustainable and inclusive society is with a financial system born of the same values at its heart. It may never have been but it is certainly no longer acceptable to argue that banking is amoral. We open our eyes to the possibilities and refuse to accept that money has blinded us to other ways. We challenge ourselves to exercise leadership and to channel our energies into collaborative networking so that we may achieve the paradigm shift that is essential to align the financial system with the needs of sustainable development.

Vienna, August 2015