ALTERNATIVE MECHANISMS OF FUNDING SUSTAINABILITY

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Financing of sustainable development has become a major concern for both developed and developing countries. Different global financing mechanisms have been invented so far, among which are Official Development Assistance (ODA), funds of multilateral development banks, Global environmental facility, International Emission Trading System (IETS), debt relief programmes for the Heavily Indebted Poor Countries (HIPC), various bilateral programmes etc. However, many of the latter are criticized for different reasons.

Criticism of traditional official development assistance (ODA) is centred on so-called aid addiction and dependency syndromes among governmental and non-governmental agencies. Critics of bank loans (from World Bank, Regional Development Banks) and loans from other credit institutions, such as International Monetary Fund, are concerned about the conditionalities imposed on borrower countries and advisory services, which are usually attached to its loans. Debt relief and conversions appeared to be less of a solution than expected.

To this end, international organisations and states are seeking for innovative financing instruments. At the international level, taxes on airplane tickets, kerosene, weapon sales, use of oceans or ocean-products, foreign exchange transactions, on capital and on income have been suggested as ways to raise new funds. Almost all both traditional financing instruments and innovative ones are market-based instruments, which lead primarily to striving for economic benefits. Furthermore, numerous studies on aid effectiveness show that implementing of sustainability programmes depends greatly on the ability of local institutions to generate local revenue. That’s why such mechanisms as Time Banking, Local Economic Trading System (LETS), local complementary currencies and community shares can become an alternative to market-based instruments and accumulate local resources for promoting sustainability.

TimeBanking represents an innovative form of social currency, which is based on the concept of earning and spending hours. People’s skills are worth a certain time unit per hour and everyone’s time cost is equal. The hours people gain helping or supporting others are stored in a “timebank”, these hours can be spent getting equivalent support in time when they are in need. The philosophy of TimeBanking is described by five core values:

- people are all assets;
- some work is valuable beyond the market price;
- helping works better as a two-way street;
- we need each other;

- every human being matters.

Local Exchange Trading System (LETS), first described and established by Michael Linton in 1982, represents a self-regulated economic network that aim to establish reciprocal aid system where people can exchange all kinds of goods and services without money. LETS links untapped needs with untapped capacities. . LETS uses market-based principles, but instead of money, the currency of locally founded LETS is used. LETS systems were created as a complementation to the national currency; they were not aimed to replace them. LETS does not create a self-sufficient supply, but provides a support for the local community when access to the formal economy is restricted. Unlike TimeBanking, where brokers are used to match members' needs and wants, LETS systems generally require members to coordinate their own trades.

One of a number of local-level financing instruments aimed to substitute or complement traditional monetary relations is **local currency**. These are systems with locally issued notes or tokens that run freely alongside a country's national currency in a certain territory. Mostly it is used by individuals and businesses in an area unsupported by a LETS. They work in the same way as a national currency, but it is not backed by a national government. The main purposes of community and complementary currency systems are following:

- to build social capital;
- to promote local economic development;
- to nurture more sustainable lifestyles;
- to meet needs that mainstream money does not.

The intended effect of a local complementary currency is to increase the cost of trading with agents outside of the local area by rebalancing terms of trade in favour of local businesses. Environmental factor also plays a role for local currencies: by favouring local trade, they reduce the demand for energy-intensive processes such as storage and logistics that leads to reduced carbon production. However, there is some evidence that not all local complementary currencies were developed with respective research on what the currency intended to achieve.

Another way to mobilise resources within a community is funding sustainability through **community shares**. In fact, all enterprises need some risk capital to start and to be sustainable. This risk finance has to come from somewhere (shareholders, investors, banks etc.). One of the main reasons why social enterprises can find it difficult to compete with private enterprises is their lack of risk capital. A root cause of this under-capitalisation is a belief that social enterprises should not have shareholders, the investors who provide capital to business. The programme that breaks this stereotype is community investment. It is the practice of members of a community buying shares or bonds in a social enterprise. It authorises communities by giving members – as part-owners – a direct say in the success of such enterprise, encouraging them to play an active part in its future. Members of the community receive a fair return on their investment as well as sharing in the social, environmental, or community benefits of the enterprise.

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