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**Complementary Currencies strengthening  
the Social and Solidarity Economy:**  
*Case studies from Kenya*

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# **Complementary Currencies strengthening the Social and Solidarity Economy: case studies from Kenya**

For the UNRISD international conference "Potential and Limits of Social and Solidarity Economy"  
session on "Alternative Finance and Complementary Currencies"

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## **Abstract**

Complementary currencies (CCs) systems hold potential for businesses, communities groups and authorities to promote the social and solidarity economy (SSE), by promoting localization, bolstering market resilience, and facilitating social services and encouraging businesses toward more environmentally and socially responsible approaches. This paper summarizes a variety of complementary currency approaches that appear to promote the Social and Solidarity Economy with specific examples in African informal settlements. Finally, we postulate modalities for researching, supporting, and scaling the CCs for the SSE and sustainable development.

## 1. Introduction

Defining complementary currencies (CCs) is akin to describing the colour of a butterfly about to hatch. The field has been in a state of rapid metamorphosis for the past 50 years and continues to change today. Many proponents of complementary currencies see them as alternatives to our global monetary system, as system which they perceive as driving many problems, including poverty, social stratification and environmental degradation. Other proponents see them as pure business tools or practical approaches to sustainable development issues. In their simplest form, complementary currencies provide alternative means of exchange in lieu of national currencies. The scope and utility of complementary currencies is still being explored. Not only do they create a form of exchange outside the current monetary system, but they can also be used to support community self-governance and sustainable development. As systems that foster solidarity between organizations and communities for mutual economic and social aims, they belong in the tool set for promoting the Social and Solidarity Economy (SSE).

While the field of complementary currencies has been given glowing praises by many, it also has its detractors who note many pitfalls in its path to becoming a globally accepted tool for sustainable development. Failed attempts at producing functional complementary currencies systems have revealed a lack of support and coordination in many areas, including legal frameworks, governance models and best practices. It is a field that is only beginning to receive attention from media and research institutions, with development organisations and policy makers yet to seriously engage. With enough coordination and support, complementary currencies may become a key mechanism for Sustainable Development. In this paper therefore we summarize the various complementary currency approaches that may promote the Social and Solidarity Economy and suggest ways this field can move forward.

## 2. CCs enhancing the SSE

Complementary currencies come in many forms, such as: loyalty schemes, coupons, reputation points, money transfer systems, but for the purposes of assisting the SSE we will restrict ourselves to *convertible currencies* and *mutual currencies*. It is in these two forms which that CCs remain in circulation for extended periods and have lasting effects on local communities.

**2.1 Convertible currencies** are designed to be exchanged for and backed by national currencies. They are guaranteed by an amount of national currency equal or almost equal to the value of the complementary currency. They can be described as vouchers for the national currency. Most complementary currency systems that include both businesses and consumers are convertible currencies. Notable convertible currency systems include: Sol Violette in France, Brixton pound in the UK, the Chimgauer in Germany and Berkshares in the US. Consumers purchase the local currency using national currency which constitutes a pool of national currency

savings. Often it is only businesses which can redeem the convertible currency for national money. Commonly, consumers are allowed to buy the currency with a percentage discount which is compensated by a fee businesses pay when redeeming it.

The main effect of these systems on the local economy is an increase in local trade circulation which increases profits at participating businesses. In addition, businesses using the local currency can save some of their funds in national currency for investment. These effects are often doubled by the involvement of micro-credit institutions, cooperative banks or credit unions that use the pool of national currency backing the local currency to make very low rate interest loans to local businesses.

Criteria for selecting individuals and businesses as part of a convertible currency fall under two general categories; 1).systems where a central authority has been established to manage the currency and has determined that only certain individuals and businesses may join, 2) systems which focus purely on businesses and individuals from a local area with no extra criteria. For those systems that limit member businesses, criteria for inclusion can involve:

- geographic location – within a limited distance from a town center
- positive criteria – good wages for employees, excellent health and environmental standards
- negative criteria – not selling foods with pesticides, reducing plastic waste
- challenges – setting and meeting SSE or environmental goals

These criteria are an attempt to encourage businesses that are considered part of the SSE and discourage 'green-washing', where a non-local or environmentally unfriendly organization may seek to accept or be part of a complementary currency in order to appear more appealing to customers.

Better known by the general public in France, the SOL-Violette<sup>1</sup> thrives in Toulouse, a city of 449,000 inhabitants. Launched in 2011 with 150 members including 30 businesses, at the end of 2012, 63,000 SOL-Violette were exchanged by 800 members including 110 businesses. Consumers buy the local currency at a 5% discount, creating a saving fund from which a cooperative bank included in the project gave 33,403€ in micro-loans to local green and social businesses in 2012. Businesses in the network, selected according to environmental and social criteria, increased their profits by 4%. Only businesses can redeem the SOL-Violette for Euros with a 5% fee making it a convertible currency. The project has also a partnership with the local public authorities in order to add 30 SOL-Violette to the monthly allowance of 120 poor families.

The municipality of Toulouse, within its strategy to localize the economy, subsidises the project every year (100,000 € in 2013), which allows the program to finance 2 full time employees and cover all its other costs. However, it started as a grassroots project, initiated by citizens involved in the transition toward sustainable

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<sup>1</sup> SOL-Violette <http://www.sol-violette.fr/>

development as community activists and ethical business-persons. The currency was co-created with collaborative methods by a large group of people including consumers and business who decided upon everything from the charter of principles, to the design of the bills, the rules of issuance of the currency and the process of selection of businesses. 18 months were devoted to prepare the launch of the currency in order to constitute and educate the creator group of citizens on a broad range of issues including the general economy issues, collaborative and governance methods, and the existing local complementary currencies. Within this period of 18 months, the group wrote a request to the municipality and obtained funding. The dependency towards municipality subsidies is conceived as a transitory state, the group aims at being self-sufficient in 3 years, with the yearly subscriptions of 1,200 consumers and 300 businesses.

SOL-Violette exists in three forms, paper, mobile phone SMS, and bank accounts. It also uses innovative methods of securing the bills to avoid counterfeiting, and of tracking them, to allow management of circulation. However, the success of the project rests equally in the hands of the volunteers and staff that enlarge the network by presenting the currency to the public at fairs and going from business to business to investigate their needs.

**2.2 Mutual Currencies**, also called multilateral reciprocal trade, involves a form of mutual agreement between people and/or businesses that allows them to defer payment for goods and services through a mutual credit clearing system. They can come in the form of pre-denominated paper vouchers or a digital accounting system accessed through a password protected website or mobile phones. The unit of exchange can be denoted in a collectively determined equivalent in national currency, hours or a unit fixed to a particular goods or services.

Rather than replacing or collecting national currency as with a convertible currency, mutual currencies actually increase the available means of exchange amongst a network. Thousands of mutual currency systems devoted to the exchange of goods and services between people exist all over the world: Time Banks<sup>2</sup> are becoming popular in the US and Local Exchange Trading Systems (LETS)<sup>3</sup> are growing rapidly in Europe.

Although most LETS and Time Banks don't generally include businesses, other mutual currencies facilitate trade strictly among business networks. One of the stalwart examples of a successful complementary currency system used by a business network is the Swiss WIR. The WIR Bank in Switzerland started in 1934 and had over 62,000 registered businesses in 2012, which trade without the national currency to support one another and defend against monetary fluctuations. The WIR has been identified as one of the key tools keeping Switzerland's business community stable<sup>4</sup>.

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<sup>2</sup> Time Banks USA <http://timebanks.org/>

<sup>3</sup> LETS [http://en.wikipedia.org/wiki/Local\\_exchange\\_trading\\_system](http://en.wikipedia.org/wiki/Local_exchange_trading_system)

<sup>4</sup> T.H. Greco and T. Megalli, An Associated Precipis, Review and Critique of WIR and the Swiss National Economy by Prof. Tobias Studer

### 3. CCs in Kenyan Informal Settlements

Many problems in the developing world, including over exportation of food from famine areas to Europe, require us to look at simultaneous solutions that promote localization and support regional markets in all areas of the planet. Food exports in Kenya to Europe have reached more than 3 Billion Euros a year, while Kenya receives over 300 Million Euros in food aid each year due to massive droughts and subsequent starvation. Complementary currencies offer an innovative way to bolster local economies and wean ourselves from these dependencies which create aid economies.

According to UN Habitat<sup>5</sup> over 50% of urban populations in developing nations live in informal settlements (slums) and as much as 70% do so in Kenya. This trend is increasing rapidly all over the world as environmental damage and the search for jobs push people out of rural areas. Informal settlements are densely populated areas where residents have little or no property rights and often occupy the bottom economic tier of society. Also according to UN Habitat, the annual urban population growth will reach 21 million people in 2020. Due to their size and rapid expansion, a major focus in sustainable development should be directed towards informal settlements.

The organization Koru-Kenya<sup>6</sup> is working to use complementary currencies as sustainable development modules in impoverished communities across Kenya with programs in informal settlements. In a recent survey organized by Koru-Kenya, preliminary findings indicate that over 75% of sales in an informal settlement known as Bangladesh in Kenya, are due to women owned and operated small businesses. While women make up the bulk of the businesses and labour, men owned businesses are earning nearly twice the profits. Compounding this gender inequality, women experience a 'double burden' or 'second shift' by performing a disproportionate amount of household work, such as taking care of children and elderly. Faith Atieno, one businesswoman who epitomizes this trend, sells porridge and flat bread to support her 3 children while working 5 hours a day on household chores. So while they represent the majority of the workforce, business ownership, and unpaid labour, these women, compared to their male counterparts, earn far less.



*Illustration 1: Kenyan small-business owners at a complementary currency workshop. Photo courtesy of Koru-Kenya.*

Two key pieces of information have led Koru-Kenya to see complementary currencies as a promising part of the solution to both gender inequality and economic instability in a Kenyan slum known as Bangladesh. They found that:

<sup>5</sup> Habitat, U. N. (2003). The Challenge of Slums: Global Report on Human Settlements 2003. London: Earthscan.

<sup>6</sup> Koru-Kenya complementary currency systems Kenya [http://koru.or.ke/complementary\\_currencies](http://koru.or.ke/complementary_currencies)

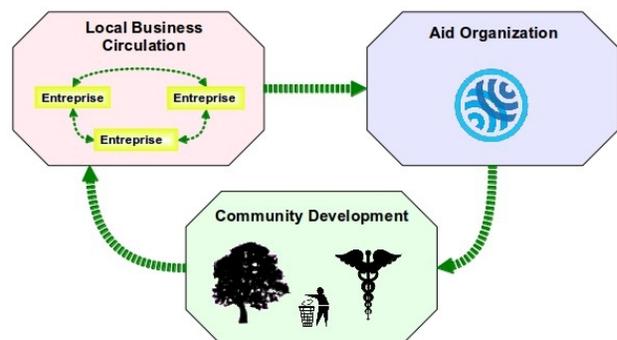
- Of the money women use on their households, the vast majority of it is used at fellow businesses within the same community;
- On regular months of the year and certain days of the week sales reduce to a bare minimum because of lack of hard currency in the community.

These characteristics of dense local business trading and periodic currency scarcity make informal settlements prime targets for the introduction of a complementary currency. If local businesses in informal settlements are given the capacity to band together to create and guarantee an alternative means of exchange, it would allow trades of goods and services to take place without scarce national currency. In addition, because in these informal settlements, most people work several jobs and still make just enough to support their families' most basic needs, they struggle to save money and pay additional medical and education costs. If businesses could use a complementary currency barter exchange between them, it would allow them to use their business profits more for education, health and savings. This becomes especially important for women. Because businesswomen in these informal settlements earn less than their male counterparts, their spending is more constrained. They struggle more to balance caring for their families, running their businesses, and saving for the future. The use of a local complementary currency to pay for basic needs locally frees their Kenyan Shillings for reinvestment in their businesses and selves. This gives them more freedom to choose what to do with their business profits, a freedom most men already enjoy due to their larger profit margin.

Inspired by these ideas Koru-Kenya worked to develop the Eco-Pesa in 2010 as a convertible currency and is currently working on a mutual currency called the Bangla-Pesa.

### 3.1 Eco-Pesa – A NGO Managed Convertible Currency

Koru-Kenya's founders worked to capacity build a Mombasa based NGO to implement a convertible currency called Eco-Pesa in 2010. The aim of the Eco-Pesa<sup>7</sup> programme was to promote and facilitate environmental social service work and economic development in an impoverished informal settlements (slums) near Kongowea Kenya. The Eco-Pesa, was backed by the national currency and introduced through the registration of 75 small local businesses, price discounting, community service work, and community events in three neighbouring informal settlements in Kongowea, Kenya. An estimated 3200 Euro worth of trading was facilitated through the circulation of only 270



*Illustration 2: Eco-Pesa - a Convertible Currency for sustainable development in a Kenyan Informal Settlement*

Euro worth of Eco-Pesa. The use of Eco-Pesa resulted in a 22% average increase in participating businesses'

<sup>7</sup> Eco-Pesa: An Evaluation of a Complementary Currency Programme in Kenya's Informal Settlements <http://ijccr.net/2012/05/29/eco-pesa-an-evaluation-of-a-complementary-currency-programme-in-kenyas-informal-settlements/>

incomes, the collection of 20 tonnes of waste, and the creation of three youth-led community tree nurseries. The programme was cost effective (only 3,569€ was spent over a seven month implementation).

Eco-Pesa was implemented in three stages. An NGO in Kenya was given donor funds for environmental service work. These funds were held as backing for the complementary currency. Eco-Pesa were printed on paper with security features, such as watermarks and UV ink, in denominations of 5's, 10's and 20's. These vouchers were initially given in 50 Eco-Pesa allotments during trainings to 75 participating businesses and could also be purchased at a discount. After an initial introductory period the vouchers were then issued from the NGO to community members for service work such as trash collection and tree planting. Community members could then use the vouchers at the 75 participating businesses for goods and services. The businesses receiving these vouchers could subsequently use them amongst themselves and also redeem them in small amounts for national currency (donor funds).

While this currency was only in circulation for a year, the period for which donor funds remained as backing, the methodology created a multiplier effect on what was accomplished using those funds. It mobilized the business community to support and even take part in community service work because they knew they would be the ultimate beneficiaries. The program was able to accomplish as much as 5 times the activities it would have if it had used the donor funds directly to pay for those activities.

While the program ended because of its dependence on national currency in the form of donor funding, it could have continued in a similar way to the SOL-Violette described above. Indeed the path of a more conventional convertible currency, along with micro-finance loans using Eco-Pesa, had been projected as the future of the program. This would likely have been the case if there had not been a conflict of interest between the NGO, project partners and the community. Issues of organizations profiteering at the expense of communities is a key issue for moving forward with programs in Kenya which was ranked a dismal 139<sup>th</sup> out of 176<sup>8</sup> countries with high levels corruption, tied with Nigeria.

### 3.2 Bangla-Pesa - A Community Managed Mutual Currency

In order to ensure that the local community would be the beneficiaries and that the program would be self-sustaining, Koru-Kenya has been working to capacity build a truly local organization made up of businesses in an informal settlement, called the Bangladesh Businesses network to use their own means of exchange, called the Bangla-Pesa<sup>9</sup>, to

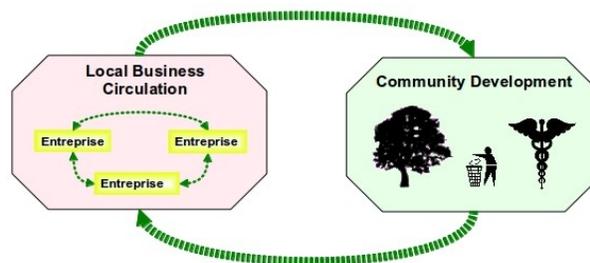


Illustration 3: Bangla-Pesa - a Mutual Currency for sustainable development in a Kenyan Informal Settlement

<sup>8</sup> Corruption Perceptions Index 2012 <http://www.transparency.org/cpi2012/>

<sup>9</sup> Bangladesh Business Network in Kenya: <http://koru.or.ke/bangla>

strengthen and stabilize the local economy. Similar to the Eco-Pesa, Bangla-Pesa are issued in the form of paper-vouchers that pass from hand to hand as payment for goods and services. But unlike Eco-Pesa, any businesses in the community that is co-guaranteed by other businesses in the network can receive a credit line of Bangla-Pesa at no interest from the network. Thus, the *Bangla-Pesa* is a unit of credit within a mutual currency system which provides a means of payment complementary to official money. As such, it helps stabilize the community in the face of monetary volatility by allowing network members to trade with each other without using the national currency.

For example, in a typical day of exchanges Faith Atieno buys water from another woman for 10 shillings. The water seller then uses the 10 shillings to purchase charcoal for cooking. The charcoal seller then goes to buy flat bread from Faith, completing a full cycle. In this situation, if Faith or anyone in the chain has no money, the following exchanges also stop causing a “*traffic jam*” in the local economy. The Bangla-Pesa prevents such jams by providing a currency which doesn't need to be purchased with National Currency and can be used for exchanges even when national currency is scarce. This is similar to Eco-Pesa but expected to circulate indefinitely because it is not redeemable for Kenyan Shillings.

The Bangladesh Business Network is also using the Bangla-Pesa to bolster the local social and solidarity economy through health and waste management services. As each business joins the network and receives a credit line of Bangla-Pesa, they commit to membership fees in Bangla-Pesa which supports community health through programs including medical subsidies and waste management. The credits used to pay for these programs eventually flow back to the issuing businesses through purchases of goods and services, creating a healthy cycle between the social and economic sectors. This allows local businesses to take a direct role in creating sustainable development for their own community; in-contrast to Eco-Pesa where the community service work was dictated by an external NGO due to funding targeted by a donor from another country.

The results of Eco-Pesa and initial data from Bangla-Pesa indicate that funding spent (less than 5,000 Euros in each case) on developing these systems can give a full social return on investment in less than one year by increasing the amount of trade and economic resilience in target communities. Koru-Kenya projects that a network of 200 informal settlement small businesses transacting 200 Bangla-Pesa each day with each-other over a year, can facilitate up to 134,000 Euros of transactions. The governance model of Bangla-Pesa allows communities to collectively choose and finance community service, in places that are not covered by public authorities. Koru-Kenya expects to see this program and others like it, bring local economies to their optimal level of trade, unencumbered by periods of national currency scarcity, and collective structures like medical care and garbage collection to dramatically improve.

## 4. The Way Ahead for CCs

Complementary Currencies currently face challenges to becoming ubiquitous tools for the SSE or Sustainable Development in general. This section lists several avenues in which CCs can be supported to reach their full potential.

**4.1 Research and Collaboration:** Universities and Researchers play an important role of guiding research done in this field and disseminating that knowledge. Institutions like IFLAS<sup>10</sup> (Institute For Leadership and Sustainability) are actively working to guide people on the use of complementary currencies in order to promote sustainable development. Complementary Currencies in Action (CCIA)<sup>11</sup> is the first transnational partnership working to develop and deliver community currency demonstrations in several member states across the North West of Europe. Other notable researchers like Thomas Greco<sup>12</sup> have inspired people all over the world through their websites and books which are accessible to a general audience.

Beyond descriptive research, researchers and PhD students could take a direct role in participatory, action and quasi-experimental research by implementing complementary currency systems in communities and business networks. Given clear ethical and procedural standards that reduce risks, developing experimental complementary currency systems could be a practical way of increasing our knowledge of these systems while also creating more of them where they are most needed in the world.

**4.2 NGOs and Humanitarian Aid Organizations** can and do perform several roles. They act as central authorities in creating and issuing complementary currencies, as capacity builders for impoverished business networks and as researchers. Some NGOs are also able to find their funding through grants for their work. Some community groups and NGOs have seen complementary currencies as a tool to help promote specific activities like environmental restoration and community assisted agriculture. Implementation guidelines for using complementary currencies for sustainable development programs need to be developed and understood for their power to impact local communities and grants need to be made available to support them.

**4.3 Governments and Municipalities** have seen complementary currencies as a means of financing city infrastructure programs and social services without the need for national currencies. Complementary currencies have been seen as a safety net for regions throughout history when national currencies have failed or gone into depressions. We have seen complementary currencies working on local and regional scales as tools for building local resilience and solidarity. Notable municipalities have implemented them, like Curitiba, Brazil<sup>13</sup> , and are

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<sup>10</sup> IFLAS (Institute For Leadership and Sustainability) <http://www.iflas.info>

<sup>11</sup> CCIA is a Transnational Partnership in the EU developing and delivering complementary currencies. <http://communitycurrenciesinaction.eu/>

<sup>12</sup> Thomas Greco <http://www.reinventingmoney.com/>

<sup>13</sup> Curitiba, Brazil cambio verde (green exchange) [http://wwf.panda.org/what\\_we\\_do/footprint/cities/urban\\_solutions/themes/waste/?204414](http://wwf.panda.org/what_we_do/footprint/cities/urban_solutions/themes/waste/?204414)

currently implementing them like Nantes, France<sup>14</sup>. Tools need to be made available to municipalities for cost effective and efficient implementation.

**4.4 Developing and expanding access to tools:** Cheap and secure printing materials and methods for paper currencies helps keep the cost of CCs down, while mobile payment systems make accounting transparent easy to manage. Many software tools to facilitate trade via mobile phones involve tariffs or even SMS fees that make them unusable for impoverished communities. For digital systems to flourish in places like East Africa they must be cost effective. Digital systems also allow for transparent accounting and management that can reduce potential for corruption. Support for the development of these tools is highly needed as well as plans to offer maintenance and support for impoverished communities.

**4.5 Developing legal frameworks:** Complementary currencies fall within many different types of legislation which vary from country to country. The most common legislation that can be applied to complementary currencies involves money laundering, illegal labor and payment services that govern companies like PayPal and M-Pesa, as well as banking regulations which allow for deposits and full or fractional backing on credit creation. Mutual currencies in some countries are currently either not allowed or limited to the exchange of non-taxable items. Because many complementary currencies don't fall easily into standard definitions of traditional commodity and contract, there is a gray area where these systems are being allowed in many countries. If these systems are to flourish, they will need full support and adequate regulation to mitigate risks under national and international legal frameworks.

**4.6 Training:** Complementary currencies can be implemented by communities and business networks themselves given proper training. Training involves topics such as: preparation, technology, ownership, benchmarking, governance, design and testing, growing to critical mass, publicly launching, marketing, monitoring, supporting and reporting. A tools set and curriculum needs to be developed and tailored to regions around the globe.

**4.7 Guidelines:** A specific challenge of CCs is to promote circulation while avoiding over-issuance and counterfeiting of bills. Clear issuance guidelines and monitoring is key to avoid the former and effective technical security features for the later. Having clear guidelines for these problems, and many others, is incredibly important. In a workshop held in 2011 by Community Forge a Swiss NGO, a set of guideline topics were suggested for successful and ethical implementation of complementary systems. These guidelines should be expanded on and packaged into implementation manuals for different regions of the world:

- **Legal Framework:** Taxation and country specific laws.
- **Risk Management:** Disaster mitigation, currency security features, transactional and information

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<sup>14</sup> Nantes, France (Une Monnaie Pour Nantes) <http://www.unemonnaiepournantes.fr/>

security

- **Community:** Implementation, diversity, co-creation and cooperation, positive community impacts, behavior change communication and marketing materials.
- **Governance:** Administration, collaborative decision making, top-down and bottom up approaches.
- **Sustainability:** Locally appropriate solutions, flexibility, adaptability, practicality
- **Economic Viability:** Business participation, market diversity, resilience, cost recovery, positive economic impacts, marketing
- **Professionalism:** Accounting and financial standards, effectiveness, efficiency, external auditing, training, baseline projections, values and goals, management capacity
- **Data Collection and Monitoring:** Baseline data collection, transparency / information sharing, record keeping and statistics, impact assessments, visualization and monitoring tools.
- **Technology:** Software, data security, mobile phone systems, Internet based system, administrative tools, transactional insurance.

## 5. Conclusion

There is compelling evidence that complementary currencies fit squarely into the efforts of organizations like the Transition Movement and International Labor Organization (ILO)<sup>15</sup> to support the SSE. They also offer a buffer system to ease a transition off of fractional reserve and debt based national currencies. Having more and more networks with these capabilities could be a stepping stone in the right direction as a global community. A summary of benefits of these CCs include:

1. Increasing sales for local businesses and/or those matching adequate SSE criteria
2. Providing more financial independence for small business owners, facilitating better management of their business investment vs basic needs spending.
3. Encouraging community solidarity and the ability to locally finance community projects.
4. Increasing local market stability by combating the effects of national currency scarcity and devaluation.

We have seen that CCs are showing strong signs of success in countries like France by aiding the SSE, while simultaneously showing positive impacts in sustainable development programs in countries like Kenya. In areas such as informal settlements, which have tightly knit and chronically under capitalized markets, complementary currency systems, like those in Kenya, can practically and efficiently benefit tens of thousands of people through creating networks of hundreds of small businesses. Supported and adopted by the international aid community, governments, universities, municipalities, and the private sector, complementary currencies could become a key tool for ending of poverty through supporting the social and solidarity economy.

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<sup>15</sup> ILO and the SSE [http://www.ilo.org/empent/units/cooperatives/WCMS\\_166301/lang--en/index.htm](http://www.ilo.org/empent/units/cooperatives/WCMS_166301/lang--en/index.htm)