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VALIDATING COMPLEMENTARY AND COMMUNITY CURRENCIES AS AN EFFICIENT TOOL FOR SOCIAL AND SOLIDARITY ECONOMY NETWORKING AND DEVELOPMENT:

The deployment of theory of change approach and evaluation standards for their impact assessment

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Prepared for the special session on Alternative Finance and Complementary Currencies as part of the International Conference on Potential and Limits of Social and Solidarity Economy organized by UNRISD and ILO in cooperation with NGLS and other partners*

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SUMMARY

Among multiple strategies, mechanisms and tools for financing development, there exists an alternative, diverse and impactful opportunity called Community and Complementary Currencies (CCC). In order to better evaluate their vision and value on one hand and their operational advantages and risks on the other hand, it is important to define their objectives and secondly to arrive at an understanding of how the induce socio-economic changes. These two stages are necessary for differentiated impact assessment and to ultimately develop a coherent evaluation scoreboard and determine the appropriate legal, regulatory and governance framework for sustained success of these tools in the context of the social and solidarity economy. Indeed, each CCC approach is based on a specific development strategy objective: social, environmental, economic, territorial, community-level, and an efficient evaluation of their needs, limits and potential will allow a better scale-up and replication process. This paper assumes that the objectives of CCC initiatives can be described as adhering to a) an economic dimension, such as economic stabilisation and crisis resiliency; b) a social dimension, such as democratic citizenship engagement, mitigating inequality and needs stemming from demographic changes; and c) an environmental dimension, such as ecological footprint reduction, and local community resilience.

As an empirical approach we propose and practically explore a Theory of Change methodology as an first step towards coherent impact assessment of CCCs to validate their efficiency and strategic effectiveness for the Social and Solidarity Economy networking and development.

Keywords: *social and solidarity economy, alternative finance, community and complementary currencies, objective, theory of change, impact assessment, evaluation.*

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Special Session on Alternative Finance and Complementary Currencies is organized by UN-NGLS – United Nations Non-Governmental Liaison Service in collaboration with UNRISD – United Nations Research Institute for Social Development, Palmas Institute Europe, FMDV – Global Fund for the Development of Cities, IFLAS – Institute for Leadership and Sustainability of the University of Cumbria, Veblen Institute of the Foundation Charles Leopold Mayer, and the NEF – New Economic Foundation representing the European Union Interreg project: CCIA – Community Currencies in Action.

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INTRODUCTION

For over 15 years, selected complementary currency, community credit and alternative finance initiatives such as the "Transition Currencies" and timebanks in the United Kingdom, the "NU-spaarpas" in Netherland, the "SOL" in France, and "Regiogeld" in Germany and Austria, received support, including financially, from national and international public institutions like City Councils and the European Union's Cohesion Fund. Most of those Community and Complementary Currencies (CCC) projects, self-positioning themselves as being part of a social movement with the aim to reinforce, develop and expand Social and Solidarity Economy (SSE) networks through market mechanisms and enhanced relations between citizens, non-governmental organisations (NGOs) and/or small and medium sized businesses (SMEs).

Favourable public policy in terms of currency acceptance and emission frameworks in combination with progressing professionalization in the design and implementation of CCCs and a growing academic interest is currently accelerating the spread and proliferation of different currency models and applications around the world. Consequently there is an increasing demand for impact evaluations of such initiatives, which is only being addressed disjointedly and with no referential work available. Different approaches to impact assessment are currently being conceptualized within the CCC movement, all aiming to reveal its high potential for expanding SSE networking and development.

The contribution of this paper is to first review the evolution of categorization and objectives of CCC initiatives and secondly to propose a "Theory of Change" framework for CCC initiatives as a first, organic and bottom-up incremental step towards impact evaluation and standardisations for this innovative field of the SSE.

1. CATEGORIZATION AND OBJECTIVES OF CCC INITIATIVES

Looking at the distributed knowledge base of these monetary innovations, one will find a great number of terms, labels and even brand-names describing different CCC models[2] (SCHROEDER, 2011). Increasingly, over the past 8 years, some propositions of typologies and classifications have been made from within the CCC movement such as Siglinde BODE in 2004, Margrit KENNEDY and Bernard LIETAER in 2004, Jérôme BLANC in 2011 and Jens MARTIGNONI in 2012. Each of them has their specificities, providing valuable help to better understand the functioning and purpose of those CCC initiatives, yet none has proven to deliver an exhaustive and satisfactory typology for both theory and practice.

Furthermore, recent reflections about CCCs' objectives and typologies revealed that these reach beyond exchanging differently and with communal sense, conceptualizing the role of money in new ways and creating tools to activate unrealized values. Common motivations and core objectives of such initiatives revolve around strengthening solidarity and sharing in communities, develop local employment and galvanizing the economy (MONNAIE EN DÉBAT, 2011; CAHIER D'ÉSPÉRANCE RICHESSES ET MONNAIES, 2011; DERUDDER, 2011). Thus, the objectives of CCC initiatives are in correlation with the purpose of expanding SSE networking and development.

1.1. Classifications, categories and typologies of CCC initiatives

Community and complementary currencies often appear under different names such as local, alternative, creative, targeted, innovative, vanguard, modern, or impact currencies[3] in order to differentiate themselves from conventional, normal, traditional, standard, ordinary, national or international, legal tender money[4]. Furthermore, in the CCC movement, a lot of specific types are discussed and listed in unsyndicated databases. Systematic attempts of classifications or typologys have only been introduced fairly recently (SCHROEDER, 2011). Some of those classifications focus more on the technical and operational design-features while others also integrate their different objectives, purposes and visions (MARTIGONI, 2012). It is important to notice that either bilateral barter or multilateral barter as non-monetary systems, without exchange intermediary, are also included in CCC research field. Therefore, recent studies are comparing the efficiency of a barter market (non-monetary) in relation with a regular market (monetary). The whole measurements protocol and simulations are described in the Annex 1 page 13.

Board 1: comparison of a regular market and a barter market organized as a central limit order book

Experimentation	An electronic barter market has been developed as a CLOB (central limit order book), accepting orders from owners and producing movements between them. The market allows cyclic exchanges between up to *64* partners, wrapping exchange cycles in atomic transactions. Each value has a particular *quality* and *quantity*. A value is only measured by a quantity independently of any monetary reference. Barter orders are expressed by defining the value provided and the value required in exchange. The ratio ω = (quantity provided)/(quantity required) measures *the will to exchange* as would do a price on a regular market. This ratio ω is used to perform competition between possible exchange cycles formed by pending orders of the order book. ω is expected by an order and produced by movements of exchange cycles. Experimentation has been conducted to observe variations of three indicators for different size of the order book (up to 140 000 orders).
Indicators	The three indicators are defined as the ▪ *delay* that is the mean execution time of an order for computing the time to get the results ; ▪ *fluidity* of the market that is a measurement of its capacity to drain values out of the order book reached by the ratio between the output flow of values produced by movements and the input flow of values offered by orders submitted to the order book. Flows of value are obtained by summing quantities of values for all qualities ; ▪ *gain* that measure the profit made by the transaction from the ratio between ω produced by movements and ω expected by the corresponding order.
Conclusion	Experiences show that the fluidity and opportunities of both cooperation and profit are better with the barter market than with a regular market. Non-bilateral cycles increase cooperation for low book volume while maintaining competition for higher volumes. A threshold of fluidity is observed when the volume of the book increases depending on the diversity of qualities of the market. We observed that the threshold is reached by the barter market before the regular market. One of the reasons could be that barter order contains both offer and demand while regular order is "buy or sell" containing only one of them. We noticed that the profit is larger on a barter market than on a regular one but the explanation of this fact needs further investigation. It is hence possible to develop barter market with large order book spending limited computation resources.
Utility of an electronic barter market	Historic monetary crisis used to come with empiric barter economy that leads to poverty. But the internet and new power of computation helps now barter market to emerge in a new way. In addition the ecological crisis requires a worldwide economy that cannot be achieved with this form of empiric practices. For the time we will count any resources as scrupulously as we do now with money, electronic barter markets are necessary to maintain the fragile equilibrium. Ecological regulation cannot be threatened by a potential financial collapse. Limits of social and solidarity economy could be redefined by the use of this kind of electronic barter market that reconsiders the quality of values produced by communities.

Source: DEMONTALIVET Vincent. CHAUSSAVOINE Olivier. MyRecycleStuff, 2013.

[2] Banche del Tempo, Banco Palmas, Bancos del Tiempo, Barter Systems, Bia Kud Chum, Constant, Double Triangle Scheme, Earth Day Money, Eco-Money, Free Money, Friendly Favors, Fureai Kippu, Green Dollars, Hansatsu, Hours, Jardin d'Echange Universel, Labour Note, Local Exchange Trading Scheme, Q-project, Regiogelder, Scrip Currncey, Système d'Échange Local, Seniorengenossenschaften, Talentum, Tauschringe, Tauschzentralen, Tianguis Tlaloc, Time Bank, TimeCredits, Trueque, Wära, WAT, WIR, and others.
[3] Sometimes also called alternative, complementary, community, local, allocated, social, mutual aid, support, green, plural, parallel, virtual, occasional, exceptional, value added, dynamic, exchange trading system or other.
[4] Sometimes also called classical, legal, official, dominant, institutional, current, common, regular, mass, centralized, scarce money and other.

One of the first classification, proposed by Siglinde BODE in 2004, is mainly based on a business approach where money and currencies appear as a medium of exchange between businesses (B) and customer (C), which provides a clear comprehension of functionality but not necessarily of their objective, purpose and vision. She also introduces the terms "service-backed" as a CCC type where the currency is issued against a promise to render services whereas "currency-backed" is a CCC type which is exchanged for conventional money, which in turn is deposited in an account as backing and guarantee potentially for later redemption.

Board 2: classification of complementary types according to Siglinde Bode (2004)

CC-Type	Relationship	Payment system	Backing
Local Exchange Trading Scheme	Mainly C2C	Closed	Service-backed
Barter Club	Mainly B2B	Closed	Service-backed
Voucher System	Mainly B2C (also B2B)	Open	Currency-backed

Source: MARTIGNONI Jens. A new approach to a typology of complementary currencies. International Journal of Community Currency Research 16, 2012.

A second classification proposition, made by Margrit KENNEDY and Bernard LIETAER in 2004, is more specific and detailed and aims to establish a scheme for classifying all forms of currency. They emphasise that there is a great variety of currency experiments and the importance to distinguish their concepts in order to simplify their comprehension and deployment. The many mixed criteria employed in this typology create a complex classification and already incorporate the ideas of objectives, differentiated as "legal tender, commercial or social purposes".

Board 3: typology of currencies after Kennedy /Lietaer (2004)

Main Classification	Purpose		Medium	Function		Money creation process	Cost recovery
Specification	Legal tender		Commodity money. Coins. Paper. Electronic money. Hybrid forms	Means of Payment	Medium of Exchange	Real backing. Secured loans. Unsecured loans. Redeemable vouchers. Corporate vouchers. Customer loyalty currency. Mutual Credit. Central issuance (fiat). Hybrid forms.	No additional cost recovery. Fixed fees. Transaction fees. Interest charges, demurrage and other. Time-dependent charges. Hybrid forms
	Commercial	Social		Measure of Value	Store of Value		
Finer Gradations	B2B. B2C. C2C. C2B	Elderly care. Pensioners. Unemployed. Education. Babysitting. Social contact. Cultural identity. Ecology. Other social objectives. Hybrid forms	-	Payment in conventional currency. Payment in units of time. Payment with concrete objects.	Interest-bearing currencies. Interest-free currencies. Currencies with user fee. Currencies with a specific value in units of time. Currencies with expiry date. hybrids	-	-

Source: MARTIGNONI Jens. A new approach to a typology of complementary currencies. International Journal of Community Currency Research 16, 2012.

A classification proposition, made by Jérôme BLANC in 2011, adds an historic evolution of CCC generations to the information on operational approaches and objectives. The purpose of different CCC-types is differentiated into "defining, protecting, strengthening, stimulating, and orientating a community, a territory, or the economy".

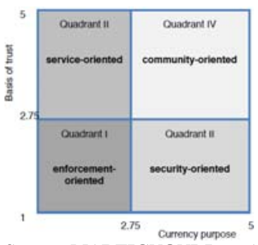
Board 4: ideal-types of currency schemes & community currency generation (2011)

Denomination & Currency scheme type	Nature of projects & Space considered	Purpose & Guiding principle	Generation & Significant Case	Content overview
Community currency	Community & Social space (pre-existing or ad hoc community)	Defining, protecting and strengthening a community & Reciprocity first, various distance to market	G1 & LETS. Trueque. CES.	Inconvertible schemes; quite small openness to external economic activities
		Defining, protecting and strengthening a community & Reciprocity first, various distance to local governments	G2 & Time Banks. Accorderie.	Inconvertible schemes with time currencies; frequent partnerships, especially with local governments
Local currency	Territorial & Geopolitical space (territory politically defined)	Defining, protecting and strengthening a territory & Redistribution or political control. Market first; generally distant from local governments	G3 & Ithaca Hours. Regio. Palmas. BerkShares.	Convertible schemes; local businesses are included; interest of partnerships with local governments
Complementary currency	Economic & Economic space (production and exchange)	Protecting, stimulating or orientating the economy & Market first, with links to governments and reciprocity	G4 & NU. SOL.	Complex schemes oriented toward consumer responsibility or/and economic activities re-orientation and other purposes; partnerships are necessary
National currency	Territorial & Sovereign space	Sovereignty & Redistribution or political control	-	-
For-profit currency	Economic & Clients of a for-profit organization	Profit & Purchasing power capture	-	-

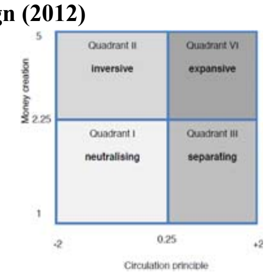
Source: BLANC Jérôme. Classifying "CCs": Community, complementary and local currencies' types and generations. In: INTERNATIONAL CONFERENCE ON COMMUNITY AND COMPLEMENTARY CURRENCIES, 1., 16th and 17th of February 2011. Lyon. Article. Lyon: CC-CONF, 2011.

A fourth classification proposal, made by Jens MARTIGNONI in 2012, is based on basic currency concept (purpose and trust) and technical design issues (creation and circulation). Thus it give presents both and approach by operational categories and objectives.of CCC types[5]. In the dimension of principle or purpose, it differentiates between self-oriented, serving individuals, and others-oriented, serving everyone.

Figure 1: basic currency concepts, evaluation grid, currency technical design (2012)



PRINCIPLE	NAME	RATING				
		1	2	3	4	5
P-0	Purpose	Individuals	Groups serving themselves	Currency community	Groups serving others	General public
		1	2	3	4	5
P-2	Trust	Higher valued money	Property	Material assets	Goods and services	Person
		1	2	3	4	5
P-1	Creation	Central agency	Few large groups	Many small groups/business	All members	Everyone
		-2	-1	0	1	2
P-3	Circulation	High savings costs	Low savings costs	Zero	Low savings premium	High savings premium



Source: MARTIGNONI Jens. A new approach to a typology of complementary currencies. International Journal of Community Currency Research 16, 2012.

Thus, these different classifications of CCC initiatives agree in their approach to objectives of CCCs as follows:

Board 5: objective approach of CCC initiatives according to their classification

Margrit KENNEDY / Bernard LIETAER (2004)	Social	-	Commercial
Jérôme BLANC (2011)	Community	Territory	Economy
Jens MARTIGNONI (2012)	Others-oriented (serving everyone)	-	Self-oriented (serving individuals)