**Process of Designing and Implementing a Complementary Currency System**

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**Background**

Deciding what type of complementary currency system to implement and how to implement it is no longer so easy as pulling a model "off the shelf" and just doing it. Experience has taught us that there are many factors specific to you, your group and your local area that need to be considered thoroughly in order to design a system that is appropriate to its situation.

The following is a method to help lead you through the process of designing and implementing a Complementary Currency System that is appropriate, sufficient, successful and sustainable.

This document is always a work in process and it is also intended to be a guiding document for you to work with and improve as you design and implement your system.

You are not alone in this process. Many people, groups, communities, enterprises and governments are also engaged with this task. Many of them make use of the resources and assistance available online at the Worldwide Help Desk for Complementary Currency Systems, located at http://www.complementarycurrency.org/helpdesk.html. We make use of the resources here, as well as resources and experiences collected as people share their experiences of how they successfully implemented their complementary currency system.

**Steps in the Process:**

Step 1:       Foundation of Knowledge
Step 2:       Understanding Your Location
Step 3:       Goals
Step 4:       Outcomes
Step 5:       Purpose
Step 6:       Outputs
Step 7:       Activities
Step 8:       Resources and Assets
Step 9:       Self-Financing
Step 10:      Administration
Step 11:      Incentives and Advantages
Step 12:      Break Even Point
Step 13:      Method of Issuance
Step 14:      Unit of Value
Step 15:      Medium of Exchange
Step 16:      Valuation
Step 17:      Type of Organization
Step 18:      Finalizing the Design
Step 19:      Charting Your System
Step 20:      Type of System
Step 21:      Training
Step 22:      Implementing the System

**Step 1:          Foundation of Knowledge**

Before starting on your path to implement a complementary currency system, you need to be aware of what has been done before, what has worked and what has not worked.  This takes a good amount of reading, research, thinking and talking.

There are many resources available to assist you.  There are discussion groups, websites, books, films, documents that are here to help you.  There are many places where these can be found, and a good place to start is the Worldwide Help Desk for Complementary Currency Systems at http://www.complementarycurrency.org/helpdesk.html

A list of discussion groups is found at:
http://www.complementarycurrency.org/discussion.html

A list of books and documents is found at:
http://www.complementarycurrency.org/materials.php

A list of websites is found at:
http://www.complementarycurrency.org/links.php

A list of films can be requested from Stephen DeMeulenaere by sending an email to stephen@complementarycurrency.org.  The present list of films includes:

Pig Tusks and Paper Money in Papua New Guinea
Cash No Questions in India, Mexico and America
Bia Kud Chum: Thailand's First Community Currency System
Michael Ende's Money Go Round
An Overview of Alternative Exchange Systems
Banco Palmas in Brazil (Portuguese)
Complementary Currency Systems in Japan (Japanese)

**Step 2:          Understanding Your Location**

What is your location?  Is it your neighbourhood, hamlet, community, village, town, city, region, country or the whole world?  Or is it a group of friends that share no geographic proximity but belong to the same community?  Write down the geographic boundaries or target community that the system will be serving here:

In order to design a system that is appropriate to your location, you need to study your location in order to understand more deeply the political, social, cultural, geographic, human resources, civil society, motivational, institutional elements and factors that will shape the kind of system that will work best.  A document to help you through this research is found here:  http://www.complementarycurrency.org/helpdesk/situation_assessment.doc and http://www.complementrycurrency.org/helpdesk/community_assessment.doc. Attach these studies to the end of this document.

Further, once this research has been done then you need to map the economic situation in your community.  There are a variety of ways of doing this, such as Focus Group Discussion, Community Mapping, Survey Research and Questionnaires, and Walk-Through Mapping.  One guide that can help you through this is found here:
http://www.complementarycurrency.org/helpdesk/community_economic_mapping.doc
Attach this study to the end of this document.

Another important element is to document informal or traditional methods of exchange in your community.  Are there now, or in the past, systems of cooperation and exchange in your community?  Attach these studies to the end of this document.

This research will take some time, but it is important to realize that we do not know everything about our location, although many of us act as though we think we do!

**Step 3:          Goals**

In order to have a successful system, we need to have goals to aim for and achieve.  What are your goals for implementing a complementary currency system?  On your own or in a group situation, ask this question and make a list of all the things you want your system to achieve.  Treat it as a brainstorming session, writing everything down that comes to mind as you daydream your ideas that you wish to bring into reality.  Write it here:

Here is an idea of what this list may look like, based on the input of those who have already started systems and registered them in the ccDatabase (www.complementarycurrency.org/ccDatabase/les_public.html).  These are only general ideas, it is important for your ideas to be more specific than these:

Activating the Local Market
Building Citizen Commitment
Community Development
Contributing towards a Sustainable Society
Cooperation
Creating a New Market
Encouraging and Rewarding Volunteers
Enhancing members quality of life
Environmental Conservation
Exchanging Knowledge / Education / Ideas
Micro / Small / Medium Enterprise Development
Poverty Alleviation
Preservation of Traditional Culture
Reducing need for National Currency
Reducing prices to consumers
Social Integration

You can visit the ccDatabase at
http://www.complementarycurrency.org/ccDatabase/les_public.html

**Step 4:          Outcomes**

From your goals, what outcomes do you wish to see?  For example, if your goal is "Micro Enterprise Development", then an outcome would be "Many Micro Enterprises join the system to exchange their goods and services", and perhaps "Formation of a Federation of Micro Enterprises".

Next to each of the goals that you have listed, write down the outcome or outcomes you wish to see. Write it here:

**Step 5:          Purpose**

In this step of the process, the purpose of the system should be clear to you.  You can have one or many goals, and one or many outcomes, but you can have only one Purpose.  What is the sentence that best captures the purpose of your system?  Write it here:

**Step 6:          Outputs**

To follow your purpose and achieve your Outcomes and Goals, you need to have Results.  In order to know if your Results will achieve your Outcomes and Goals, you need to have Indicators to help measure your success.

Therefore, for example if your Goal is "Micro Enterprise Development", and your Outcomes are "Many Micro Enterprises join the system to exchange their goods and services", and "Formation of a Federation of Micro Enterprises", how many Micro Enterprises joining the federation would be enough for you to feel that you are successful?  Write the outputs here:

**Step 7:          Activities**

To create Outputs, we need to be doing Activities.  What activities will help you to achieve your outputs?  Of course, starting a complementary currency system is one activity, so what are the other activities you need to do to achieve success with your outputs?
Some activities may be, for example, "Create a Micro-Lending Program", "Organize a Weekly Marketplace", "Setup an Information Exchange in the Community"  Write your activity ideas here:

**Step 8:          Resources**

To do your activities, you need to have Resources, and Assets.  Resources are pools of value that you can draw from, and Assets are elements that add value to your resources.  What resources do you have to do these activities?  What assets can you access that will add value to these resources?  List them here:

For example, your resources may be "I am a government officer working in Micro Enterprise Development" and "My job is to provide loans to Micro Enterprises".  Your assets may be "I can have free access to my community center every Sunday" and "I know how to do accounting".

**Step 9:          Self-Financing**

To be sustainable, any economic system needs to be self-financed.  Governments collect taxes, enterprises earn profits, people earn incomes and save their money.  How will your system be self-financing?

It does not matter if you have received financial support to implement your complementary currency system, at some point in the future you will need to be self-financing, so it is better to introduce this element in the beginning rather than struggle to implement it later.

Basic Business theory says that it is better to reduce prices in the future than it is to raise them.  Therefore if you start a system and don't charge anything, how will you convince people later that you need to charge something?  It's a challenge that has caused many systems that started well in the beginning to fail later.

There are four main sources of funding:

External Currency Charges from members
External Funding from donors
Internal Currency Charges from members
Private Donations from members and donors

But many ways to apply charges:

Administration Fee (fee based on cost of service)
Account Opening / Joining Fee
Advertising Fee
Annual Fee (12 months)
Bi-Annual Fee (6 months)
Community Tax (fee based on participatory budgeting)
Conversion Fee (fee for converting a complementary currency to national currency)
Liquidity Tax / Circulation Incentive (fee on high positive balances or holding notes)
Monthly Fee
Positive Interest on loans in local currency
Quarterly Fee (3 months)
Statement Fee
Transaction Fee

Which fee or fees do you feel would be most fair, and the members of the system most willing to pay?  Write your funding sources and charging systems here:

## Step 10:    Administration

If you yourself, or a group of friends and colleagues are designing this system, then you need to establish Administration positions and tasks for each position.  These positions may also relate to the kind of organization (See Step 18) you decide to have.

The Administration must be lean and efficient and some positions may need to fulfill a range of different tasks.  Some systems can be managed by one or two people, others may require a team of several more.

Make a list of these positions and write down the tasks they will be responsible for here:

## Step 11:    Incentives and Advantages

To encourage potential members to join your system, the advantages and incentives for doing so must be clearly presented, demonstrated, and sufficient so that the decision to join is easy.  There are three types of incentives:

- Moral Incentives, which present reasons why the system is good for one's conscience, beliefs and goals.
- Social Incentives, which present reasons why the system is will make positive changes which will bring pride to the member for being involved.
- Financial Incentives, which present reasons why the system will benefit them financially, will improve their marketing, their business and ultimately their income and quality of life.

A list of advantages is presented here:  http://www.appropriate-economics.org/materials/understandingadvantagesofCCS.html.

The choices you have made in the previous steps should make the incentives for joining the system clear.  Write them down here:

**Step 12:        Break Even Point**

Although we talked about self-financing already, we need to set our break-even point, the point you need to achieve in order to be self-financing.  To do this calculation correctly and accurately, you first need to estimate your costs.  What resources do you need to run the system and what do they cost?  List those resources even if they are presently free, because they may not be free later.  This list also becomes the budget for your system.  Don't forget to pay yourself and others for running the system!

Now, how many members does the system need, and how much do you need to earn from each one of them through your self-financing mechanism to break even?  This item is then *put beside* the Output where you listed how many members the system needs to be successful, because you may be able to cut costs in a way that achieves both success and sustainability.  Write your break-even point here:

**Step 13:        Method of Issuance**

How is the complementary currency going to be issued?  As a loan where the member has to sign a loan agreement, or can they simply withdraw it from their account?  As a grant, where everyone receives the same amount?   How will the currency come into circulation?  Here it is important to consider how it will circulate, why it will circulate, and when it will come back to you to cover the operation of the system.  It is a good idea to see how other systems issue their currency, and then explore if any problems may be resulting from it.  Write your method of issuing the currency here:

**Step 14:        Unit of Value**

What links your complementary currency to the other economy, the economy of national currencies?  Or is there a link?  Here there are only 4 main choices to consider:

Units of Commodity / Resource
Units of Independent Value
Units of National Currency Equivalent
Units of Time

Write your choice down here:

**Step 15:        Medium of Exchange**

How will these units of value move from member to member? If you have an idea in mind, be sure you can afford it in your budget.  Some examples are:

Accounts
Accounts + Notes
Coin or Token
Electronic Transaction
Notes + Electronic Transaction
Notes / Bills Only
Smart Card
Traditional / Cultural Medium

Be sure to explore the costs and benefits of these mediums of exchange before you make a decision.  Write your medium of exchange here:

## Step 16: Valuation

Valuation means what backs up the value of the complementary currency.  What makes this currency valuable to people?  What will make them be interested in the system, use the system and enjoy using the system?  The main examples are:

Contract Agreement to Guarantee Currency
Convertible for Commodity or Resource
Convertible for National Currency
Non-Contract Promise to Guarantee Currency

Write down the method of valuing your currency here:

## Step 17: Type of Organization

The type of system you choose may suggest the type of organization you should have.  The four main types of organizations are:

- Unregistered Community-Based Organization
- Registered Cooperative Organization
- Registered Non-Government Organization
- Registered Private Enterprise

Consult your government for information about each of these types of registered organizations to find out what the registration requirements and costs are.  The design of your system will hopefully suggest what Type of Organization you should have.  What type of organization do you choose?  Write it down here:

## Step 18: Finalizing the Design

You are now ready to begin drawing up the design of your system.  These and the next steps will help you to select the design that best suits your location, based on the research and thought you have put into this process.

The first task is to draw a picture, a picture of how the complementary currency will circulate.  The picture should have the issuer, the different groups in the economy that will receive it (government, enterprise, individual, organization, community center, etc.), and how it comes back to the issuer for self-financing.

**Here is an example of such a picture.**
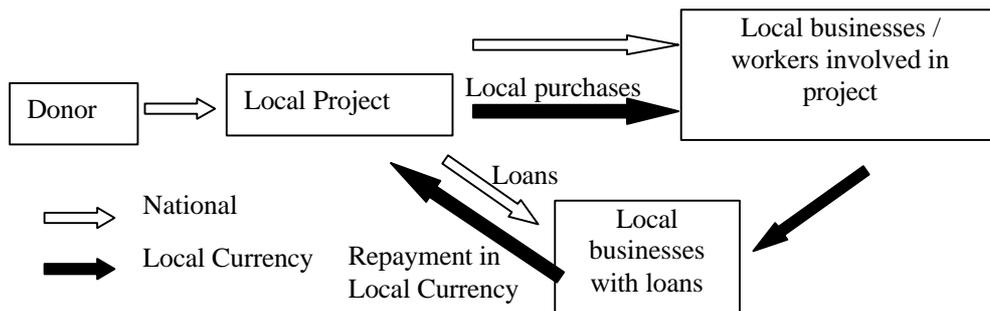
## Step 19: Charting Your System

All of the information you have collected and written here can now be put into a chart to give you a simple overview of the system you have designed. If you have created long lists, it may be easier if you use a Spreadsheet program like Excel to create your chart.

### Our Complementary Currency System

| | | | | |
|---|---|---|---|---|
| Our Location / Community / Target Area for the System | | | | |
| Informal or Traditional Methods of Exchange | | | | |
| Goals of the System | | | | |
| Outcomes of the System | | | | |
| Purpose of the System | | | | |
| Outputs from the Activities | | | | |
| Activities | | | | |
| Resources to support the system | | | | |
| Self-Financing methods | | | | |
| Administration Positions | | | | |
| Incentives to Join | | | | |
| Break Even Point | | | | |
| Method of Issuance | | | | |
| Unit of Value | | | | |
| Medium of Exchange | | | | |
| Valuation / Backing | | | | |
| Type of Organization | | | | |
| Type of System | | | | |
| Training Methods | | | | |

## Step 20: Type of System

The last 5 steps have taken you through some difficult decisions to make in designing your system. The good thing is that there are many different types of complementary currency systems and many people going through the same process as you. There are three main types of systems:

- Voucher Currency Systems, which include REGIOnetwork, Gogo, Consumer Commerce Circuit and Bonus.
- Mutual Credit Systems, which include Time Banks, Time Dollar, LETS and modified Mutual Credit Systems.

- Fiat Currency Systems, which include HOURS and RGT systems and some barter systems where members receive an equal amount of money when they join the system or advertise in the Newsletter.

Therefore, your choices may be identical to a type of system that is already out there, with its own support, information and resources to help you to implement the system.

The following table may help you to identify the type of system that most closely matches the system that you have designed. This method is not perfect, the Goals of your System may be achieved using a different Type of System than the ones listed here. However, this is generally how others have chosen which type of system will best achieve their goals.

| Goals of the System | Type of System |
|---|---|
| Activating the Local Market | **Backed Voucher, Mutual Credit, RGT / Marketplace Currency, Mutual Credit System** |
| Creating a New Market | |
| Micro / Small / Medium Enterprise Development | |
| Reducing prices to consumers | |
| Poverty Alleviation | |
| Community Development | **Mutual Credit, Time Bank System** |
| Building Citizen Commitment | |
| Contributing towards a Sustainable Society / Environmental Conservation | |
| Reducing need for National Currency | |
| Social Integration | |
| Encouraging and Rewarding Volunteers | |
| Enhancing members quality of life | |
| Exchanging Knowledge / Education / Ideas | |
| Preservation of Traditional Culture | **Cooperation and Mutual Aid Systems, Traditional Economic Systems** |
| Encouraging Cooperation and Reciprocation | |

## Step 21:      Training

Before you implement your system, it is important for you and your colleagues to be able to conduct workshops and trainings to the new members. This will help them to be able to explain the system and educate others, to be able to use the system for their benefit, to answer any questions they may have, and avoid any problems.

An extensive list of workshop activities, simulations and role-playing games can be found here:  http://www.appropriate-economics.org/PLA_tools_web.html

Your group should practices these activities in a small group of friends before trying them out with new members so that everything is prepared well in advance and goes smoothly.

## Step 22: Implementing the System

If you have found a system that matches the design you came up with, then there may be a network that you can connect with to help you to implement.  If that is so, we are very pleased and wish you success with your efforts!

This is where you are now on your own.  How you wish to launch the system will be as individual as you are.  If you would like to discuss some ideas with us, we would be happy to assist you further.  Please send an email to: stephen@complementarycurrency.org