UN Inter-Agency Task Force on Social and Solidarity Economy

KNOWLEDGE HUB WORKING PAPER

Community Currency Programmes as a Tool for Sustainable Development

The Cases of Mombasa and Nairobi Counties, Kenya

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SUSTAINABLE DEVELOPMENT GOALS

The UN Inter-Agency Task Force on Social and Solidarity Economy (TFSSE) was established to raise the visibility of the SSE in international knowledge and policy circles. We believe that SSE holds considerable promise for addressing the economic, social and environmental integrated approaches of sustainable development.

TFSSE brings together UN agencies and other inter-governmental organizations, as well as umbrella associations of SSE networks as members and observers. Task Force activities include organizing events at UN and other international conferences, dialoguing with policy makers, preparing and disseminating publications, and engaging in collaborative projects involving TFSSE members and observers. https://unsse.org/

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Acronyms

CC	Community currency
CCIA	Community Currencies in Action
GEF	Grassroots Economics Foundation
IPTW	Inverse probability of treatment weighting
KSH	Kenyan Shillings
SDG	Sustainable Development Goal
SLA	Sustainability Livelihood Approach
SLifA	Sustainable Lifestyle Analysis Framework
UN Habitat	United Nations Human Settlement Programme
UNDP	United Nations Development Programme
UNRISD	United Nations Research Institute for Social Development
UNTFSSE	United Nations Inter-Agency Task Force on Social and Solidarity Economy

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Summary

In a century epitomized by rapid urbanization, the population living in informal settlements continues to grow. Grassroots Economics Foundation (GEF) has developed community currency[1] (CC) programmes to boost employment in informal settlements with community currencies. These CC programmes are targeted towards the specific issues in informal settlements, such as lack of basic services, high (youth) unemployment and economic instability. By its design the CC model of GEF promises to be a tool for the sustainable development of informal settlements that goes beyond traditional development programmes (such as cash transfers) and their focus on productive outcomes.

This article therefore investigates if CCs have an impact on lifestyle outcomes. To this end it focusses on the CCs implemented by GEF in Kenyan informal settlements. By using inverse probability of treatment weighting (IPTW) using the propensity score, this article showed a positive and significant impact of CCs on the following two lifestyle outcomes: helping the environment and gifting in professional services and goods. This article contributes to the academic literature by answering to the need of quantitative evidence of the impact of CCs and by evidencing how these CCs can have a more holistic impact than conventional development paradigms.

Keywords: Community currency; Complementary currency; Informal settlements; Poverty alleviation; Cash transfers; Sustainable development

[1] Community currencies are "a subset of complementary currencies that are tied to a specific, demarcated and limited community" (CCIA, 2015, p.32). Complementary currencies are "designed to sit alongside mainstream money to address objectives that the conventional money system can't" (CCIA, 2015, p.32).

Community Currency Programmes as a Tool for Sustainable Development: The Cases of Mombasa and Nairobi Counties, Kenya

Daan Sillen, Pui-Hang Wong and Serdar Türkeli[2]

Introduction

One in eight people live in informal settlements (UN-Habitat, 2016a). In a century epitomized by rapid urbanization, especially in the Global South, the population living in informal settlements continues to grow. These settlements are associated with poor social, physical and economic conditions and addressing the living conditions in these settlements therefore deserves ever more attention.

Grassroots Economics Foundation (GEF) is a non-profit social enterprise, based and active in Kenya, that has developed an innovative tool to empower the communities living in informal settlements. In 2017, when the field work for this research was carried out, their community currency (CC) programmes ran in two informal settlements of Mombasa County, three of Nairobi County and one in Kwale County. One of their CC programmes, the Lindi-Pesa, ran in Kibera, Africa's biggest slum.

The World Bank (2017a, p. 26) estimates that in Kenya "nearly 61 percent of urban households live in" informal settlements. The growth of the Kenyan population living in informal settlements is unlikely to stop given Kenya's "urbanization rate of 4.4 percent" (2017b, p. vi). Despite experiencing stable economic growth in the past decade and having a commercial and logistics industry that has a key role in the region and is known for its financial service innovations such as the M-PESA (Muchai & Kimuyu, 2017), the country has a poverty rate of 45.5 percent (UNDP, 2017). One of the ways in which this high poverty rate manifests itself is in the unceasing growth of the population living in informal settlements (World Bank, 2017b, p. 26).

The CCs of GEF are a local means of exchange, which supplements the national Kenyan currency system, targeted at addressing the issues in informal settlements. The Kenyan community currency model of GEF is called Sarafu-Credit. It is the model behind each of the of the specific community currency programmes that GEF developed with the communities, such as Bangla-Pesa for the Bangladesh community. Goods and services in Sarafu-Credit vouchers are worth the same amount in the national Kenyan currency: Kenyan Shillings. A cooperative is formed by a network of businesses, informal sector workers, schools, clinics and self-employed workers. The profits and inventory of this cooperative are issued as credit

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that is free of interest and as vouchers for environmental and social services to the members of the community. Applicants can receive 400 CC (is worth the same as 400 Kenyan Shillings) starting credit if they are locally employed or have a local business and have the endorsement of a Community Based Organization (Chama). Sarafu-Credit is backed by the members' services and goods and the cooperative businesses, thus being a mutual credit[3]. In any participating organisation, shop, school clinic and farm these CC vouchers can be used as a medium of exchange for goods and services. These vouchers circulate in the community and are a stable local means of exchange when the national currency is lacking. As a result of this injection of credit into the community by means of a CC, which is based on local assets, local sales increase and there is a direct development of the local economy.

In the following two ways CC as a socio-economic tool for sustainable development aims to improve living conditions. Firstly, it provides access to an interest-free credit for community groups, which results in employment, increased trade, development of small businesses and general local economic stability. Secondly, it provides a mechanism for these community groups to finance environmental and social services and build trust in the community (Grassroots Economics, 2017). By their design, these CCs thus promise to have an impact that goes beyond the impact of conventional development paradigms, such as cash transfers (see figure 1).

Source: Grassroots Economics, 2017

Figure 1: Community currencies versus cooperative and conventional development paradigms

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[3] In *People Powered Money* (CCIA, 2015, p.175) a mutual credit is defined as "a system by which units of credit are created at the moment of the transaction between individual users as a debit of one's account and a credit of the other's. Operating within agreed limits of credit and debt, members of a mutual-credit system effectively loan one another the capital necessary for the exchange of goods and services within the network, with the overall balance of all members' accounts always equalling zero."

The currency itself is an impact tool. A tool enabling a community to develop touching upon almost all of the Sustainable Development Goals (SDGs), but especially SDG 11 Sustainable Cities and Communities aims at making cities and human settlements inclusive, safe, resilient and sustainable. The focus lies on co-creating and co-designing community currencies with the local community to stimulate local development based on the qualities, values and assets of the community in question.

On the topic of community currencies as a development tool for informal settlements little research has been published to date. The existing studies are however unique contributions to the wider literature on community currencies, since they focus on the particular case of the application of community currencies for the economic empowerment of communities in informal settlements.

The empirical studies on this topic demonstrated increases in local trade, employment and social services (Richards & Ruddick, 2013; Ruddick, 2011, 2015; Ruddick, Richards, & Bendell, 2015). Research is given to how these currencies function, the economic and social benefits of them, the impact on poverty reduction and their potential to promote the Social and Solidarity Economy (Dissaux, 2016; Dissaux & Ruddick, 2017; Ruddick & Mariani, 2013).

Since these CCs by their design promise to have an impact that goes beyond the impact of conventional development paradigms (such as cash transfers), a quantitative holistic assessment of CCs as a tool for the sustainable improvement of living conditions in informal settlements needs to be added to the body of literature.

The Sustainable Livelihood Approach (SLA) offers a comprehensive and holistic view of poverty and therefore holds potential to be an adequate framework for the holistic analysis of the living conditions in informal settlements (Krantz, 2001). Morse & McNamara (2013) however criticize that the SLA is a framework developed by the Global North for the Global South and they note that given the increasing scepticism about the emphasis on economic growth based on ever more consumption, the focus now shifts towards sustainable lifestyles. They argue for broadening the SLA framework into the Sustainable Lifestyle Analysis Framework (SLifA), which includes lifestyle choices, expectations and outcomes.

The impact CCs have on developing sustainable lifestyles could explain and evidence