

Community Development Voucher Currency System Rural Economic and Credit Union Development Program

Region

Asia

Location and Country

Daleman Village, Sleman District, Yogyakarta Province, central Java Island, Indonesia

Initiators

Ms. Enny Susilandari,
Implementation Manager and Merapi Mulia Credit Union Manager

Mr. Stephen DeMeulenaere,
Technical Assistant and Project Manager
Asia Program Coordinator, Strohalm Foundation

Short summary of submission

Merapi Mulia Credit Union, with the financial and technical assistance of the Strohalm Foundation, implemented a Community Development Voucher Currency System project. Starting in 2005 with a feasibility study, the community and Credit Union members strongly supported the project, which was officially implemented on 14 October 2006, although trading using the complementary currency actually began some months earlier.

This project is unique in the Credit Union movement in the world, and introduces the new service of facilitating exchange between members and facilitating the startup and growth of micro, small and medium enterprises, as well as community participation in identifying and implementing community development projects.

Projects beginning date

May 2006

Agency

Strohalm Foundation
Utrecht, Holland

Design parameters

The Community Development Voucher Currency System is a 100% national currency backed voucher currency for facilitating the exchange of goods and services between Credit Union members. Members can purchase the voucher for national currency which goes into a backing fund, and can also acquire the voucher through interest-free loans. A market directory, monthly marketplace and regular public meetings help facilitate networking and

trade between Credit Union members. When the note is converted back to national currency, a fee of 15% is charged. The result is a sustainable system with a growing capital fund for low-interest loans for new enterprises.

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Further Details of the Community Development Voucher Currency System

Sustainability

The system charges a 15% fee for converting the voucher to national currency to encourage the participants to seek to trade in the voucher economy. There is also a small fee for participating in the monthly marketplace as a trader. There is also a low-interest capital fund for new enterprises. The note expires after one year, so notes that are not exchanged for new notes at the end of a year become the income of the system.

Therefore, according to the Business Plan of the project, the break-even point has already been reached and the system is generating capital for loans.

Innovativeness

This system is the first of its type to be implemented in partnership with a Raffesien Savings and Loan Credit Union, anywhere in the world.

However variants of the basic model can be found in several countries, and are quickly becoming the most common form of complementary currency. Related examples of 100% national currency backed vouchers are the REGIO in Germany, the Saltspring Island Dollar in Canada, the Jai Voucher System in Thailand which is also a product of Strohalm's technical assistance in Southeast Asia.

Contemporary Applicability

This system makes use of advanced concepts in network economics, which is a very new field of economics. The model can be applied in nearly any context, in the advanced industrial countries and in an isolated rural low-income community in Indonesia.

Practicality

In the past, we tried to promote the mutual credit complementary currency system as a tool for rural economic development, but we found the system to be unsustainable and impractical. This model is easily adopted as it is nearly identical to a national currency system except without the calculations of interest, clearly outlined and protected in national economic, banking and currency laws, and very easy to understand by the Credit Union in particular and community members in general.

Social Aspect

The element of networking is central to this internal economic system for the members of the Credit Union, the vast majority of whom are low-income individuals working in the agricultural sector. Thus participation in the system involves an important degree of social interaction between the members. The sharing of tea and snacks encourages the social interaction that results in business and exchange deals being made, which strengthens the loyalty to the Credit Union.

Approach

The Indonesia Complementary Currency Systems project has a rather long history of learning from failure and overcoming many obstacles in order to eventually succeed.

Originally initiated in March 2000 by Stephen DeMeulenaere and supported by the Canadian Volunteer Agency CUSO, the funding Agency Unitarian Service Committee (USC Canada), and supported by the Indonesian NGO YAPPIKA, the project switched funders, partners, locations and supporting organizations over 6 years in order to find the right approach. The only constant was my insistence that such a system would be started in Indonesia.

The approach that worked was to act like a private consulting business rather than an a Non-Government Organization (NGO). The business approach was appreciated by the Credit Union and established a foundation of seriousness in implementing the program because it was important and beneficial, and not just because it was being externally funded, as so often happens in the development field nowadays.

Net benefit for the community

The improvement in the local economic and social climate provides many spinoff benefits for the community. An active and motivated community, a public process for identifying new community development priorities, a new community marketplace in the area where the old national currency marketplace went bankrupt, the bright and neat Credit Union office, friendly and professional Credit Union staff, the opportunity to start new micro and small enterprises provide many quantitative and qualitative benefits for the community.

Educational mission

An important part of the project is education, specially in math, accounting, small business management and value-added production. Many Credit Union members reported in public meetings that their biggest obstacle in starting a new enterprise was not lack of access to capital, but actually the lack of knowledge of accounting. Credit Union members whose businesses failed or failed to grow, reported that it was mostly due to lack of proper accounting and management of their budget.

The majority of Credit Union members are fruit, animal or fish farmers, but they only sell their raw product and do not add value to it. Fruit farmers do not know how to preserve or lengthen the lifespan of their fruit, cow farmers do not know how to make butter or cheese from milk, and fish farmers do not know how to make fish fertilizer.

The Credit Union recently completed an expansion to their office for a classroom and kitchen, to be used as a kind of community learning center on these topics.

Creativity

The design of the project was not limited to economics, but from the beginning made it clear that a proper economic system would open up many opportunities in the community. The Credit Union is making efforts in this direction by organizing a Children's Creativity Festival as part of their long-term marketing strategy. They encourage children to produce art about the community, think of new business ideas and open bank accounts for their small earnings and savings.

Some children have no choice but to forgo their education to help support their families, so this is a way to keep these less-fortunate children connected with other children who can go to school.

Conclusion

I would like to thank the Untermyer Institute for this opportunity for recognition of our efforts in Indonesia, as there are few opportunities for finding support for this kind of work.

If this application were to be successful, the funds would be used to complete production of our book in Indonesian language on complementary currency systems and support the implementation of similar systems in other parts of Indonesia.

18 April 2007

Stephen DeMeulenaere
Asia Program Coordinator
Strohalm Foundation

Please add some fotos for the presentation.

The time frame of the project occurred between two large-scale natural disasters, the Merapi

Volcano eruption from May – August 2007 and major Yogyakarta Earthquake of June 2007 which killed over 5,000 people in the city.

Note: All images below are larger than you see. Simply click on the image and drag it to a larger size. Most images are at least 800x600 pixels, suitable for website or printing at a small size. I can also send larger resolution images for printing, or send prints.

This is a view of Merapi Volcano from nearby the Credit Union, July 2006.



The Credit Union is in a town very near to the Volcano.
This a picture of the volcanic ash falling on the Credit Union.



First the constant Eruptions, and then the Earthquake struck in June 2006, destroying thousands of homes, buildings and hotels.



Meanwhile, the Complementary Currency Project continued. These are the project staff: Mr. Wawan, Ms. Enny Susilandari and Mr. Stephen DeMeulenaere.



Despite the disasters and threat of major volcanic eruption, we conducted many roleplay games and socializations, teaching people how to use and gain economic advantage from the

complementary currency.



The socializations were attended by many people, until our meeting room was overflowing.

The sign says “HEY! Don’t Hesitate! You can pay with Rupiah or Coupon.”



We also set up a public Noticeboard of Offers and Requests. Here Mr. Wawan is standing in front of the Noticeboard, and every day many community members would come to see what is being offered.



We also hold a monthly marketplace for the members and the entire community to display their local products for sale.



Most people are monetarily poor, working in the agricultural sector. These workers are going to the field to pick Snakefruit. So in the evening the Credit Union staff would go directly to their homes to make the conversion from Indonesian Rupiah for the Community Development Voucher Coupon.



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