

# COMMUNITY FINANCE BRIEFING

## Dialogue on ways to provide the basics without succumbing to debt

These extracts are based on the handbook "Community Finance Canvas" - due to be published Autumn 2012  
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### Re-engineering local financing and funding

By Stephen Hinton

**Community and kindness are just starting to replace corporation and consumption as the way to organize society. But if you want to be part of the change, how can you go about it? One approach is, after having identified your tribe or community, to arrange your financial dealings so money stays as long as possible in the community. Some call it plugging the leaks.**

### First: understand conventional business.

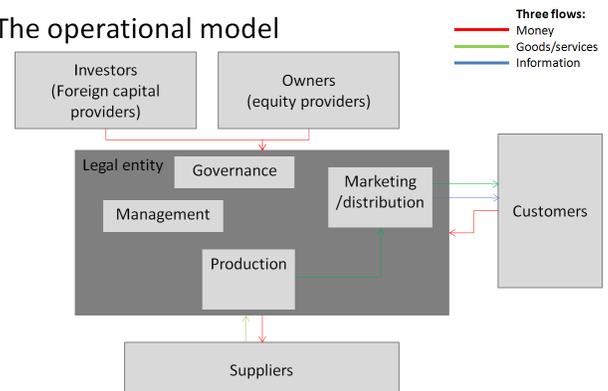
In order to understand how to do this we will present some of the background. In business development a company is often presented this way at organizational level.

It is common practice to formulate a mission statement and business concept as **What do we do for whom and how?** Mission is what do we do, whom for is our target customers and how describes the value addition our operations bring.

#### ABOUT COMMUNITY FINANCE

We are living at the peak of human achievement, but also at the peak of our resources. Sustainable development means handing over to future generations the possibility to create for themselves a standard of living at least equivalent to that we enjoy. This requires fundamentally re-thinking how we use resources, indeed all of the social arrangements we take for granted, including our relationship to money. And we need to start now. The basic values in the handbook come from Permaculture: People care, Earth care, Fair share. However, you do not need to know Permaculture to use the book. We explore ways to, within the current financial system, create communities that align to these values.

#### The operational model



Conventional operational model

Follow the red line to see the money flow from right to left from customers to owners and suppliers. The legal entity - the company - is represented by the darker shade of grey.

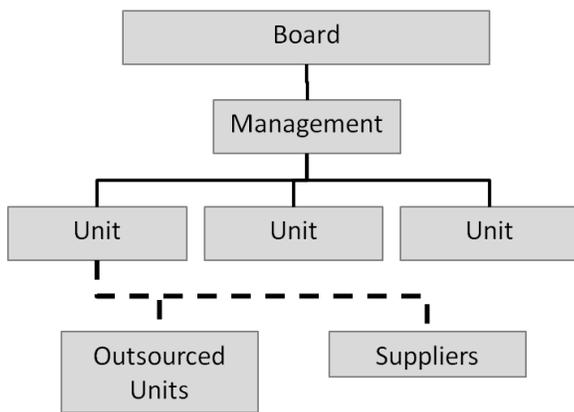
Note that the value added by the company is often limited to a few steps in the supply chain, for example, in food production many large companies only work with from producer to shelf in shop.

Another thing to note is that the agreements between the various actors in this diagram are

often secret. A customer cannot find out what prices the corporation pays for its raw materials, for example.

The company is also a hierarchy. This diagram represents a common model but there are many others.

### The Organisational Chart



And starting up a business is often described in well-known steps, too.

1. Have a business idea
2. Find finance
3. Test the idea
4. Market it
5. Distribute, deliver, sell

### BUT: the company that has your best interests at heart is the one you own

But suppose we want to design our financial dealings in another way? The community finance approach, sometimes called the financial permaculture approach describes *What we can do for each other and how.*

What we can do is often formulated in terms of

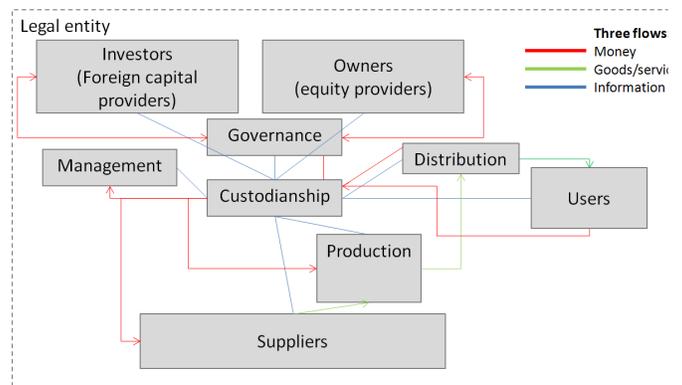
security and resilience, rather than in the service we can provide. Rather than “deliver the freshest food from all over the world to your door” – “ensure the supply of fresh food from locally grown sources.”

We do not describe target customers. Rather, we identify people and organization that will form part of an eco system of collaborating entities. And they will be part of the organization from the beginning, not at the end of a marketing campaign.

*How* describes the value added provided by each entity. If the community aims to take control of its ecological footprint, then these chains will stretch from soil to soil and/or from rain to watercourse.

### The legal entity is ecosystem of collaborating of entities

However, the operation model is still useful as a tool to describe the financial flows in the community finance approach.



In this case, the legal entity is everything within the dotted line in the diagram above.

Now, let us break down how a community can design its finances in this way: firstly the entities need to be identified and to write contracts with each other, transparently. This mosaic of contracts

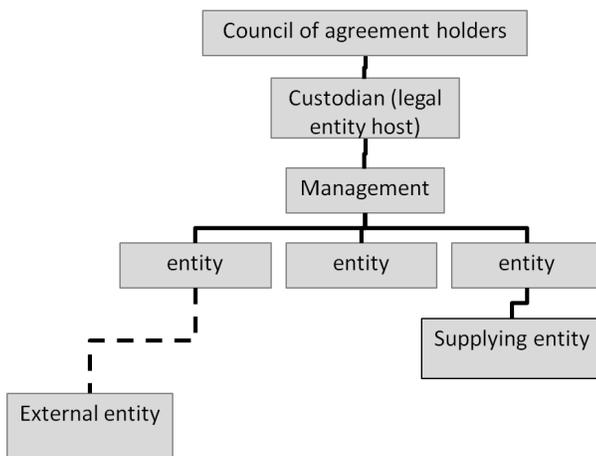
is equivalent to a simple company in Sweden.

The reason the line is dotted is that in some European countries the legal entity does not need to be registered if it does not trade and does not turn over more than 5millionEuros.

Each entity, however, needs to be registered correctly and pay taxes in the usual way.

The hierarchy in such an arrangement is different from a conventional business arrangement.

### The Organisational Chart



All entities appoint a council to oversee the arrangement, and the day to day management of the operations will need a custodian, which is the legal “home” for the arrangement. Tasks of the custodian include setting up and running maintenance and repair of all real assets in the arrangement, as well as taking care of any accounting and administration of all the contracts needed to run the operation. Day to day running is delegated to a management function.

Compare the steps to starting a conventional business with those of establishing community financed activities:

1. Come together to develop the concept
2. Produce basic agreements and plans
3. Develop production and distribution
4. Start operations

## Benefits of local community finance

Some of the benefits of getting involved in community finance initiatives:

- **Focus on Essentials** ensures life quality even when economic downturns and high energy costs hit.
- **Using local resources** maximizes employment.
- **Aims towards providing long term services** brings resilience and sustainability.
- **Working with people you know** brings another feeling to everyday life.

This briefing is extracted from the coming book The community finance canvas handbook.

<http://avbp.net/?p=1485>

If you would like to know more about this subject, sign up for an early release copy of the book or contact us to arrange a workshop via our website.

#### PERMACULTURE PRINCIPLE #8.

**Integrate rather than segregate** - By putting the right things in the right place, relationships develop between those things and they work together to support each other.

Investing in corporations and then competing is a model that misses the opportunities that the local community offers. Collaboration, dialogue, simple solutions etc. can ensure food on your table on a rook over your head in a way that is resilient to changes in energy supply and fluctuations in the economy