



PROSPERITY FOR PUERTO RICO

Sustainable Communities Framework

Harnessing history for a prosperous future



Farmers, small businesses and communities in crisis need access to capital and credit to revive and stabilize their economies but often lack sufficient assets to collateralize bank debt. Workers strive for meaningful jobs.

For centuries, complementary currencies have been used by buyers and sellers in their normal course of business to restore vibrant communities, keeping profits local without incurring further debt. Simply using such a parallel currency will enhance and accelerate economic and environmental stimulus projects by providing the dignity of a living wage to the new employees hired as businesses expand, particularly significant in education, transportation, energy, entrepreneurship and caregiving.

Beyond “Buy Local”

Most local currencies aim to keep money circulating locally. Residents are encouraged to spend the complementary currency with local merchants, reducing the flow of funds out of the community.



Local currencies leverage the well-known “local multiplier effect”¹ a positive compounding phenomenon also known as a “local premium.” Typically, 48% of each purchase at local independent businesses recirculates locally, compared with less than 14% of purchases at remotely owned stores (i.e., three times as much!).²

Local currencies are normally purchased with the national currency, which has to be set aside for re-purchase of the complementary currency, should the buyer wish to do so (called “convertible currency”). The limitation of this approach is that while it does reduce money leaking out of the community, it usually does not expand the total amount of money available, because one currency is simply exchanged for another. The UNO will not be a convertible currency and therefore on Puerto Rico, the money supply is increased with each purchase. See [Rebuilding Puerto Rico](#)³ for more on this topic.

The more money that is circulating locally, the more robust the local economy. Thus the goal of introducing UNOs is to encourage both buying local and increasing the overall amount of money in circulation. Both enhance the local multiplier effect.

But expanding Puerto Rico’s economy is precisely why NCG (see below) is proposing the introduction of UNOs. NCG will issue UNOs by lending, investing, granting (i.e., giving it away) and selling. The introduction and use of UNOs will benefit local businesses, workers, consumers and communities.

“Where Can I Spend UNOs?”

Understandably, this is the first question asked by folks receiving the complementary currency.

The answer is the reason for our focus on small and medium-sized enterprises. Because these currencies are local, their acceptance by area merchants, farmers, medical providers, mechanics and others boosts widespread acceptance of the UNO (or any other local currency).

WHO IS NCG?

National Commonwealth Group (NCG) is a 501(c)(3) non-profit organization dedicated to local community economic development. It focuses on small and mid-size businesses as critical factors in job creation, prosperity and quality of life.

NCG’s Sustainable Communities Framework program is built around a modern application of the historically successful use of local complementary currencies. It tracks closely to Puerto Rico’s new renewable energy initiative but is not government-dependent and incurs no additional debt obligations.

How the UNO Expands Economic Activity

When local businesses accept UNOs (in whole or in part), participating SMEs become eligible for various UNO benefits.

For startups, NCG can provide seed funding grants to help them establish the viability of their business plan, i.e., proof of concept.

For established businesses, NCG can provide:

- Low-interest lines of credit denominated in UNOs.
- Commissions for selling UNOs and recruiting customers to open an UNO bank account. Commissions will also be paid for selling UNO gift cards that function like pre-paid credit cards, aimed primarily at tourists and others who need temporary use of UNOs.
- Grants to bring employee compensation up to the equivalent of \$15/hour.
- Grants to pay for fringe benefits as a tool for recruiting and retaining employees.
- Grants to pay for new employees, including paid interns, with potential IRS tax credits for hiring certain types of employees.
- Credit and debit card processing, with processing fees paid by NCG in the form of bonuses in UNOs for converting portions of USD payments into UNOs.

Servicing UNO Transactions

All the options discussed here entail SMEs accepting and using UNOs. How will UNOs be issued? How will UNO denominated transactions be managed?

We will use the [Cyclos banking system](#)⁴, a project of the non-profit network of [Social TRade Organisations](#) (STRO) from Latin America and Europe.⁵

Cyclos is a mature, versatile online banking and mobile banking platform that includes a merchant marketplace (dedicated merchant web pages with product and service listings, along with shopping cart and more).

Cyclos includes a range of banking and payment options, a complete e-commerce system as well as high-and-low-end mobile access channels that offer branchless banking.

At this time Cyclos is used by [local banks](#), commercial credit circuits, microfinance institutions, [barters](#), [community currencies](#) and time banks.

The system will also serve to bring a large number of people into the modern banking system. By facilitating access for un- and under-banked residents to a bank account and mobile payment solution, merchants will further increase their customer base and revenues.

Cyclos' dynamic structure allows organizations to 'build' dedicated payment systems simply by changing the configuration. To use Cyclos, participating SMEs and consumers will have one or more accounts structurally similar to a checking account. They are able to transfer UNOs into and out of that account much like one does with a conventional online bank using a national currency. Account holders can use SMS banking and [Mobile apps](#), while merchants and buyers can use smartphone [POS \(point of sale\) applications](#) along with more conventional transaction terminals.

Establishing the UNO as a Complementary Currency

Widespread acceptance of UNOs as a local currency requires that users have places to spend them.

If users can spend UNOs at a local business, then UNOs have actual value. (One additional constituency can be key to accelerating adoption: Local governments that agree to accept UNOs and spend them back into the community. This topic will be covered elsewhere.)

Getting Small Businesses to Accept It

Merchants and other small business owners will, of course, ask the same question as individual users: “Where can I spend UNOs as easily or nearly as easily as dollars?” Below are some ways in which we will incentivize them to add UNOs to their daily transactions.

1

Seed funding grants to startups

Raising startup funds is the most difficult step in the fundraising process for any business and represents the single biggest barrier to launching viable businesses. Successful venture capitalists (VCs) play a numbers game. They know that the majority of the companies they fund will ultimately fail, but they place enough bets that those that do survive more

than cover those that do not. The more businesses they fund, the greater the chances of profiting enormously from breakout winners.

Raw startups are the riskiest stage in the life of a business, where failures are the highest and thus funding is the most difficult. Yet like the strategy of VCs, the more businesses that are started, the more will ultimately survive.

But conventional funding sources cannot fund every viable plan presented to them. Even if the community had a substantial pot of dollars, it still could not fund each business plan because sooner or later the fund would be exhausted.

UNOs are, however, different. The supply of UNOs is unlimited so every viable startup can be awarded UNO grants. We will thus be able to launch many more potential businesses, with their commensurate new jobs, than can conventional financing. This massively improves the odds that some of those businesses will become breakout stars.

Providing grants to early stage entrepreneurs will accelerate economic activity as opposed to the often drawn out, legally complex and costly methods of conventional investments and loans. The only condition of an SCF grant is that the recipient accept UNOs in the normal course of their business, as partial or whole payment for the goods or services they are selling.

With grants, entrepreneurs retain 100% ownership of their business until it is validated in the marketplace. At that point, any entrepreneur would enjoy a stronger case for conventional financing, or would more easily justify further grant funding, similar to how micro-loans are managed.

2

Options for established businesses

Established businesses that need help can take advantage of new lines of credit; the sale of UNOs for a commission; grants to increase employees, hire new employees and provide various employee benefits; and zero cost credit card processing if they are willing to accept UNOs for all or a portion of their sales. This further expands local multiplier effects, generating more local sales as compared to chain stores.

3

Lines of credit

Getting merchants to accept UNOs in the normal course of their business is one of our top priorities. To achieve this, we need to get UNOs into the hands of local businesses even before customers start spending UNOs with those merchants.

The easiest way to accomplish that is to provide the merchant with a base UNO line of credit, which they qualify for just by signing up and agreeing to take at least 5% of their sales in UNOs. To access a larger line of credit, they will need to sell at least \$2,000 worth of UNOs on an average monthly basis (described in the next section). The more the average monthly sale of UNOs, the larger the line of credit.

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For a typical retail store, NCG will likely provide a line of credit in the vicinity of 2,000 UNOs, giving them an immediate pool of UNOs to spend with other merchants at no up-front cost, thus incentivizing merchants to buy from each other right away.

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4

Bonuses for selling UNOs

Since participation in the UNO program will be beneficial to all residents, individuals will from time to time want to convert dollars into UNOs. Local merchants again enter the picture, and will be one of our most important facilitators in getting UNOs into the economy. In so doing, those merchants will realize a significant increase in their overall profitability.

SALE OF UNOS

NCG will make provision for merchants who accept at least 5% of their sales in UNOs to sell UNOs for NCG (i.e., exchange dollars for UNOs). This is similar to merchants who sell lottery tickets, only the sale of UNOs is a good deal more profitable to the merchant. Those purchases can be cash or card transactions. UNOs purchased will go into the buyer's account or on the equivalent of a prepaid gift card. Tourists and other visitors will also be encouraged to purchase UNO gift cards as a way to help the island economy.

- The merchant will receive a USD commission equal to 10% of the transaction, plus an UNO bonus equal to 10% of the UNOs purchased.

In essence, the merchant will make a 20% sales commission for selling UNOs, several times greater than that for lottery tickets. This represents an additional revenue stream for the merchant that is pure profit.

ACCOUNT SIGNUP

Merchants will be encouraged to get their local customers to sign up as ongoing UNO users and establish an UNO checking account to be used for purchases wherever UNOs are accepted.

- Each user account will be coded to identify the recruiting merchant. Thereafter, that merchant will earn further commissions regardless of where the user purchases UNOs. Thus, our merchants will be a virtual sales team, and have a significant motivation to promote the use of the UNO.
- If an enrolled user purchases UNOs directly from NCG (e.g., a monthly payroll deduction), the merchant will receive the same commission as if the user had purchased UNOs at their business.
- If users purchase UNOs from other merchants, those selling merchants receive the normal full commission for the sale. However, the promoting merchant who signed up the user will also get a commission equal to 50% of that of the selling merchant.

Extended Benefits

In addition to those benefits for merchants, the public benefits are substantial.

Many residents likely to purchase UNOs from local merchants are outside the dominant financial system. Addressing their needs has been a near intractable problem. But the UNOs system engages the local SME community as a new solution. A robust UNO network will solve the financial problem facing SMEs while providing the community critical goods and services. (See box for examples.)

HOW UNOS HELP THE UN- & UNDERBANKED

- The unbanked⁶ (with no checking/savings accounts) and underbanked⁷: Can enter the modern economy, save on check-cashing and similar fees, build a history of responsible money management, and spend their UNOs with any merchant who accepts UNOs.
- Those with cash that they would like to convert into UNOs so they can use them as they would in the first example: This applies to many individuals who are paid in cash; migrant workers; or businesses like legal marijuana dispensaries who receive a lot of cash that they are not allowed to deposit into the U.S. banking system.
- Puerto Ricans who normally turn to check cashing services that charge substantial fees (something the unbanked or underbanked frequently have to do): Our merchants can convert the entire check into UNOs without charging a fee because of the merchant's 20% commission. The merchant would have the option to split the disbursement into a combination of UNOs and dollars, where the merchant charges a fee for only the dollar portion of the remittance, provided the merchant follows all appropriate laws governing check cashing businesses.



5

Grants to employers to increase wages

Widespread acceptance that the current federal minimum wage is insufficient to live on for a full-time worker has led to calls for a minimum “living wage.” Unfortunately, many small businesses do not generate sufficient profit to pay their employees what would be considered a living wage.

UNO grants would allow employers to increase employee wages up to an amount considered a living wage. At this time, it appears that \$15 an hour is a reasonable target for Puerto Rico. Thus, an employee making \$7.25 per hour (the current minimum wage in Puerto Rico) would receive an additional 7.75 UNOs per hour.

Once all employees at a firm are receiving the equivalent of at least \$15 per hour in wages, the local program administrator (the non-profits and community organizations administering the program for NCG) will consider proposals from employers seeking additional grants to hire new employees.

6

Grants to employers to hire new employees

This program is ideal for any employer who could benefit from having additional employees but cannot afford to pay them based on their current level of sales. The employer can also enhance the program’s benefits by hiring from certain federally targeted groups.

Certain groups of individuals have been targeted by the federal government as needing extra help in finding employment. Companies that hire such employees can realize federal tax credits that can reduce or even eliminate taxes owed by the business. So not only can those employers have those employees largely paid for by grants from NCG, but can realize tax benefits as well.

The most prominent of such programs is the Work Opportunity Tax Credit program (WOTC),⁸ a federal tax credit⁹ (and some state tax credits also) available to private-sector employers for hiring individuals from nine target groups¹⁰ who have consistently faced significant barriers to employment.

7

Recruiting & retaining employees using fringe benefits

With this in mind, NCG can enable employee benefits as UNO grants to employers to pay employees, their families and domestic partners (see box). This [page](#)¹¹ on the IRS website provides tax guidance on fringe benefits.

Benefits that are Likely Partially or Wholly Tax Exempt

- Onsite and offsite dependent care assistance for children, invalids and the elderly, usually offered as a flexible spending account (FSA).
- Education expenses including tuition assistance or reimbursement.
- Lodging on business premises.
- Achievement awards up to \$1,600.
- Employee discounts on the company's own products.
- Cafeteria plans.
- Out-of-pocket healthcare and dental care benefits and wellness programs including company gyms, exercise classes, smoking cessation and stress management programs.
- Adoption assistance.

Benefits that are Likely Taxable

- Commuting expenses to and from work.
- Holidays and vacations.
- Family, maternity, paternity, adoption, military and medical leave.
- Housing and relocation expenses 🏠
- Severance pay.

8

Card purchases

Once the above program components are established, NCG has an additional program to help merchants realize additional profits in connection with use of the UNO.

NCG has arranged to be a card processor for merchants who accept credit and debit cards. We have partnered with a vendor that provides all the backend processing and interactions with the banking system, thus offering a turnkey system.

The largest incentive generates 125% of the sale price for merchants agreeing to take 100% of their sales in UNOs. These merchants would get 100 UNOs plus 25 for a total of 125% of the sale price and no credit card fees! See chart for details.

A merchant's increase in profit can be significant. However, the benefit to the community is huge.

This system also allows the acquisition of visitor dollars at virtually no cost. This contributes to an open-ended pool of funds in USD that will be available for additional economic development programs in Puerto Rico.

How it Works

Assume that Puerto Rico's SMEs pay a standard 3% in credit card fees. So for every \$100 sale they net only \$97.

However, NCG wants the merchant to take a portion of their sales in UNOs. With that in mind, NCG will incentivize merchants as follows.

If a merchant takes 5% of a sale in UNOs and 95% in USD, NCG will absorb the credit card fee. Thus, on a \$100 purchase, instead of the merchant only netting \$97, NCG will remit \$95 plus 5 UNOs so that the merchant nets the full purchase price.

To incentivize merchants to accept increasingly larger percentages of their sales in UNOs, NCG will provide additional bonus UNOs above the amount

of USD being traded by the merchant. For example, if the merchant takes 90% of the sale price in USD, on a \$100 purchase they would receive \$90 USD + 15 UNOs for a total transaction equal to 105% of the sale price.

The below chart outlines the bonus structure where merchants can receive up to 125% of their sale price.

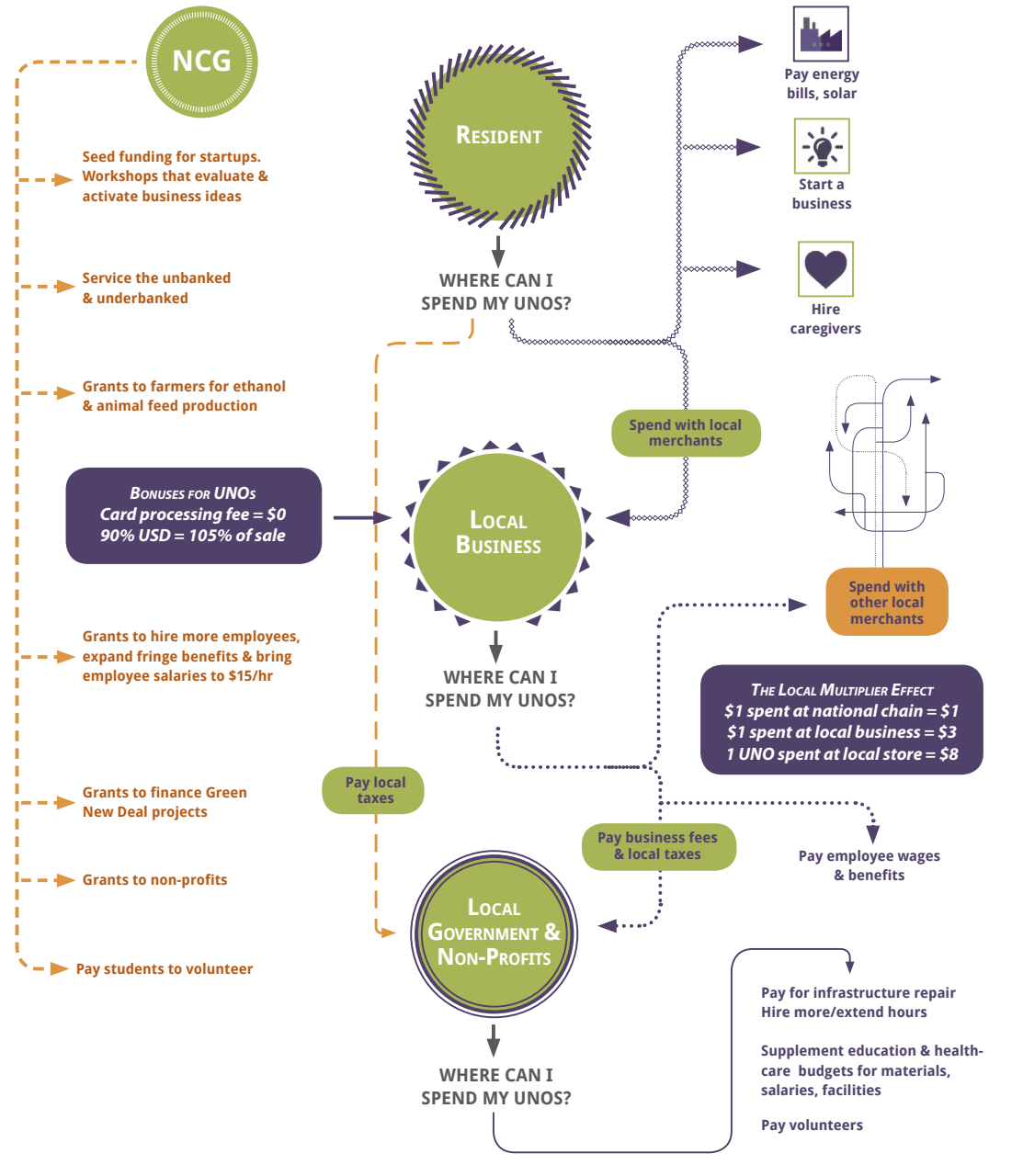
One additional way to obtain an increase in the line of credit over the minimum described above is to sign up with NCG for credit and debit card processing. The larger the percentage split, the larger the line of credit allowed.

Also, the grants described in sections 5 - 7 can be obtained if a merchant accepts a minimum 90/10 split on card sales.

% of UNOs per \$100 Sale	USD Received by the Merchant	UNOs Received by the Merchant	% of Sales Price Retained
0%	\$97	0	97%
5%	\$95	5	100%
10%	\$90	15	105%
25%	\$75	35	110%
50%	\$50	65	115%
75%	\$25	95	120%
100%	0	125	125%

How do UNOs Circulate Within a Community?

UNOs IN THE COMMUNITY



Other Useful Links

[8 Tax Credits Every Small Business Owner Should Know](#). A good article that provides information on a number of the tax credits listed above and the tax benefits to owners.

[IRS Business Tax Credits \(for small businesses and self-employed\)](#).

[US Dept of Labor: Employment and Training Administration - Government Incentives, Tax Credits, and Assistance](#).

[EPA Economic Incentives](#), a general exploration of incentives, their forms and objectives.

[SBA incentives pages including Pick your business location](#) “Your business location determines the taxes, zoning laws, and regulations your business will be subject to.”

[Using Tax Incentives to Support Community Health and Development](#).

[How Small Business Incentives Can Help a Company Grow](#) .

[Economic Incentives for Small Businesses 2/23/2016](#) has a state by state table.

ENDNOTES

- 1 https://en.wikipedia.org/wiki/Local_multiplier_effect
- 2 <https://www.amiba.net/resources/multiplier-effect/>
- 3 <https://scf.green/doc/RebuildingPuertoRico.pdf>
- 4 <https://www.cyclos.org/>
- 5 <https://www.socialtrade.org>
- 6 <https://en.wikipedia.org/wiki/Unbanked> “The unbanked are described by the Federal Deposit Insurance Corporation (FDIC) as those adults without an account at a bank or other financial institution and are considered to be outside the mainstream for one reason or another. The FDIC estimates there are 10 million unbanked or underbanked American households.”
- 7 <https://en.wikipedia.org/wiki/Underbanked> “The underbanked is a characteristic describing people or organizations who do not have sufficient access to mainstream financial services and products typically offered by retail banks and thus often deprived of banking services such as credit cards or loans. The underbanked are characterized by a strong reliance on non-traditional forms of finance and micro-finance often associated with disadvantaged and the poor, such as cheque cashers, loan sharks and pawnbrokers.”
- 8 <https://www.doleta.gov/business/Incentives/opptax/>
- 9 <https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit>
- 10 https://www.doleta.gov/business/Incentives/opptax/docs/WOTC_Fact_Sheet.pdf Target groups include qualified IV-A recipients; qualified veterans; qualified ex-felons; designated community residents; vocational rehabilitation referrals; recipients of SNAP benefits (food stamps); Supplemental Security Income (SSI) recipients; long-term family assistance recipients; and qualified long-term unemployment recipients.
- 11 <https://www.irs.gov/publications/p15b>



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