



Could the next generation civic currency tokenise social impact?

**Round table on
Next Generation Civic Currency**

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Could the next generation civic currency tokenise social impact?

There are hundreds of local currencies in use around the world. These have the potential to drive inclusive growth and build communities through supporting local spending with local businesses, but these local currencies have struggled to become more mainstream and scale.

Nesta and the Bristol Pound held a round table on 8th of March at Nesta. We invited key thinkers and local currency leaders to find out what the current state of play for local currencies is, what the scaling options and barriers to scale are, and to explore the opportunities the broader community could be considering when thinking about supporting or developing local currencies.

You can find a summary of our key discussion points below, together with the details of those who attended. The insights captured here give a brief overview of the different discussion points brought up during the event, and do not reflect any one attendee's opinion.

Trends and opportunities

When local currencies were developed many were envisaged as paper based and ultra local. Some of the key questions that Nesta has are - How can local currency take advantage of the move towards a cashless society and emergence of other alternative platforms such as the [Central Bank Digital Currency](#) experiment?

We are also curious about whether we can refocus the very purpose of currency and upgrade the transition model to a civic model - with a token-based economy. Can we tokenise social impact?

How to scale

There was a consensus amongst the group that there is an issue with scaling local currencies, as the currencies have often been developed to be quite specific and niche, local in their very nature. There is a difficulty in going beyond early-adopters and expanding the existing customer base. While there is a clear diversity of UK local pounds in forms and purposes, there is a lack of collaboration between the different solutions on what is common

between them. We discussed whether we could find a collaborative solution, potentially a transition towards a digital model where a common exchange platform would be developed to trade different local currencies.

There was an agreement that in order to build a viable local economy, local currency could be best used as business to business currency business rather than business to consumer transactions. Business to business mutual credit systems, such as [Sardex](#) and [WIR](#), are the only local currencies that have been able to scale and achieve significant economic impact. [Credex](#) that was set up a year ago in the West Midlands is trying to replicate this success. There seems to be a gap in the market when it comes to the access to finance for small businesses and minority communities, as the largest banks are retreating from this sector and there is a lack of community banks that are willing to pick up this customer base.

Another issue is the most-used online payment platform for local currencies, [Cyclos](#), that seems to have many flaws, and is not user friendly as it was designed for business to business transactions, not the business to consumer transactions current providers are using it for. There is space for another technical solution for local exchange networks, an alternative to Cyclos, to come to the fore.

The group identified key barriers to scaling:

- The current business model relies heavily on grant funding and sponsorship which are less and less available (cuts, local governments are stretched). Funders also want to see clear social impact metrics and local currencies are often part of a local economic development solution, not the only solution.
- The system is not self-sustainable. It involves high transaction costs, management and running expenses. In order to cover platform costs, high transactional volumes are required.
- Cycle of consumption is not optimised, as Sterling is still central to the system.
- Geographical limitation creates entry barriers.

What action can we take? *Develop a schema for a shared back end. Share data and information amongst local currencies, build a movement to support local currency.*

What is the value proposition/social impact

One of the challenges that local currencies face is articulating their value proposition. Currently the business to consumer model relies on early adopters and those people are well understood. To broaden reach more segmentation is needed. There was agreement in the group that the future needs to be supported by a national digital platform which would enable better data capture and analysis.

The challenge with social impact is that the ultimate goal of supporting local economic development is very hard to prove. More money circulating in a community, locally, is improbable for a single currency given the scale, but maybe a matrix of indicators of success that are possible to measure can be developed.

What action can we take? *Work together on clarifying what the value proposition should look like and shared success indicators.*

What is the potential of blockchain/tokens for local currencies

One group discussed the potential of using blockchain to develop local currencies. It was agreed that there is potential in blockchain for removing intermediaries and reducing running costs, building trust in the local currency and also simplifying data creation and management (immutability and traceability).

There are several positive aspects of blockchain for local currencies including; interoperability of the system, customisation options, token designed to fit the local need, and cost efficiency.

However there are several negative values of blockchain for local currencies including challenges with user experience (at this early stage in blockchain development), issuance, and some systemic issues including: how can we attribute value to a token/coin when it is not limited in number or value (either positively, or negatively); and how to overcome the general fear of tokens.

What action can we take? *Can we build a common back-end? How can we activate the technology to do this? Can we develop a national digital platform?*

How can local currencies engage with local authorities

Some local authorities have adopted the use of local currencies and are a potential market for scaling through procurement, however there is education required to work with local authorities on the opportunities for local currency procurement.

What action can we take? *Can we build public cooperative partnerships? Shared back-office might be an opportunity to build the Commons that could be collaboratively owned. Could there be a community banking partnership to meet the investment needs in regions?*

Other ideas were shared:

- Can we create a national digital platform of local currencies to index, trade and foster collaborations between UK local currency ecosystems?
- Can we increase attractiveness with cross-local currency recommendations/rating systems? How would this work? What other platforms exist that this could piggy back off?
- Can we develop new social impact measurements to better assess local needs?
- Can we develop a version two digital local currency that will be data-driven, frictionless and more user-friendly?
- Can we develop a better value proposition for SMEs for a new sustainable business model?
- Can we make cities understand the power of local currencies better to improve their local economy?

What are the next steps?

For Nesta we are interested in what might be required to build this shared platform and what willingness from the sector there is to take on this project. We are also keen to find out who in the broader sector is interested in the token economy or in developing next generation civic currencies.

For Bristol Pound, we are keen to:

- work with technology and currency partners to develop a version two digital currency which has the potential to disrupt the current market

for consumer spending payment options as well as to become a shared platform for local currencies across the country

- work with others in the new economy movement to frame digital currency in such a way that consumers, businesses and local anchor institutions are inspired to engage more with local currencies
- work with universities to develop methodologies for measuring social and economic outcomes for local currency projects
- consider shared approaches to operations and administration with other currency groups to save on costs, and
- develop services around a value proposition for businesses to create a sustainable trading model, which can be copied by other local currency groups

This report was co-authored by Veronika Dohnalova, Kate Sutton, Brenton Caffin, Sarah Mcloughlin, and Jessica Febvre.

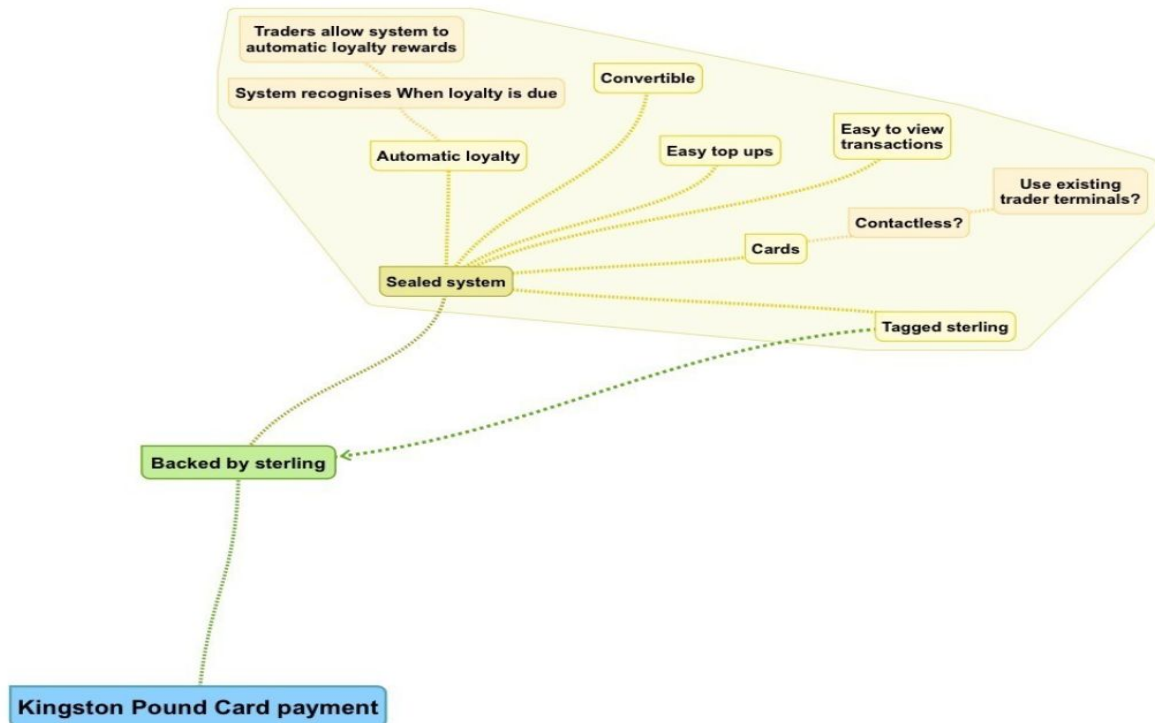
Appendix 1

Attendee List

Name	Surname	Organisation
Brigitte	Small	Ampersand
Brett	Scott	Author & Journalist
Diana	Finch	Bristol Pound
Nicholas	Hemley	Bristol Pound
Charlie	Waterhouse	Brixton Pound
Guy	Davies	Brixton Pound
Pat	Conaty	Co-operatives UK
Matthew	Slater	Community Forge
Stuart	Bowels	Credex
Chong Yee	Gan	Deutsche Bank
Ian	Martin	Exeter Pound
Marloes	Nicholls	Finance Innovation Lab
Danielle	Walker Palmour	Friends Provident Foundation
Daniel	Edelstyn	Hoe Street Central Bank
Andrew	Connolly	Kingston Pound
Tony	Gray	Lake District Pound
Patrick	Crawford	Lewes Pound
Andrew	Durling	Money for All CIC
Geoff	Mulgan	Nesta
Brenton	Caffin	Nesta
Kate	Sutton	Nesta
Sarah	Mcloughlin	Nesta
Veronika	Dohnalova	Nesta
Jessica	Febvre	Nesta
Nick	Fulton	Paybase
David	Clarke	Positive Money
Ian	Merrill	Tempo (formerly Spice)
John	Elford	Totnes Pound
Dil	Green	UK Mutual Credit Network

Appendix 2

Kingston Pound: Payment Infrastructure Diagram proposal



Description:

- Local currency to be used across the readily available payment infrastructure, terminal and cards et al. The main difference is that the money spent in Kingston Pounds are identified and corralled in a sealed system.
- The system to automatically award a loyalty bonus at a level agreed by businesses that would allow a customer to gain rewards once they exceed an agreed level of purchases.
- Easy to convert from Sterling but easy to convert back - participants to be incentivised to stay in.
- Useable in local businesses in Bristol for instance as would B£ be acceptable in Kingston. A nationwide but local currency.