



# *Proposal for the creation of an Innovation Credit System for the Mediterranean Co-production Lab for Social Innovation*

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## I. Introduction

The purpose of this document is to present the concept of Innovation tokens as a key component of the business model of a proposed Social Policy Co-production Lab in the Mediterranean region. The intended audience for this document is primarily the partners and stakeholders of the Co-production Lab, including NGOs, governmental institutions, and private sector organizations, who are interested in contributing to and supporting the work of the Lab. Additionally, this document may be of interest to donors, investors, and other potential sources of funding, who are seeking to understand the innovative approach to financing and incentivizing collaboration that is being proposed.

## II. Background

The Social Policy Co-Production Lab is a collaborative initiative led by a consortium of NGOs in the Mediterranean region. Its primary objective is to promote the co-creation of innovative policy solutions to tackle social injustice and mitigate the impact of climate change through a participatory, stakeholder-driven approach. To achieve this objective, the Lab will bring together a diverse range of actors, including civil society organizations, government bodies, academic institutions, and other stakeholders to create, test and implement innovative social policies.

The Lab will leverage various digital tools to facilitate its work, including an online Community of Practice, a crowdfunding and crowdsourcing mechanism, and a wiki to gather knowledge about co-production and social innovation. In addition to these tools, the Lab will also incorporate a system of tokens to incentivize collaboration, enable crowdfunding of pro bono work and demonstrative actions, and ensure full transparency and traceability of donations and funding.

### [Innovation tokens and their function in incentivizing collaboration and innovation](#)

Innovation tokens or credits are digital assets that are created to serve a specific purpose or function within a certain ecosystem. They are often used as a means of exchange within a network or platform, and can be used to access specific goods or services.

The innovation tokens could be considered a form of community currency. Community currency is a type of currency that is designed to meet the specific needs of a particular community, such as promoting local economic activity, fostering social cohesion, or supporting environmental sustainability.

In the case of the social policy co-production lab in the Mediterranean region, the utility tokens could serve as a means of incentivizing and rewarding collaboration and innovation within the community of practice. They could also facilitate crowdfunding for the Lab's pro bono work and funding for demonstrative actions developed under its umbrella.

As a community currency, the utility tokens would have several benefits, including:





- **Encouraging participation and collaboration** within the Community of Practice by providing tangible rewards for contributions.
- **Facilitating fundraising** efforts for the Lab's work, allowing for more resources to be dedicated to social policy innovation and co-production.
- Promoting a **sense of shared ownership** and responsibility within the community, which can foster social cohesion and cooperation.
- **Incentivizing collaboration and promoting a culture of innovation:** By offering rewards in the form of Innovation tokens for active participation in the Lab's activities, members of the Lab can be motivated to contribute to the development of innovative policy solutions. This can also help to foster a sense of community and shared ownership of the Lab's goals and objectives.
- **Streamlining transactions:** The use of Innovation tokens can help to streamline transactions within the Lab's ecosystem, making it easier and more efficient for members to exchange value and collaborate on projects.
- **Encouraging long-term engagement:** By offering different ranks and levels of rewards based on participation and contribution, the use of Innovation tokens can help to encourage long-term engagement with the Lab's activities and goals.

Innovation tokens can also help to promote transparency and accountability within the Lab's ecosystem, enhancing transparency and accountability by enabling donors and partners to track the use of their contributions through blockchain technology.

By using blockchain technology to track the issuance and transfer of tokens, the Lab can ensure that all transactions are recorded in a secure and tamper-proof manner. This can help to build trust among Lab participants and stakeholders, and can provide greater transparency into the Lab's operations and decision-making processes.

Overall, Innovation tokens have the potential to be a powerful tool for incentivizing collaboration and innovation within a social policy co-production Lab, while also promoting transparency and accountability.

### III. Definitions

#### Community currency

A community currency is a type of currency that is designed and used by a specific community to support local economic transactions and community building. Unlike national currencies, which are controlled by central authorities, community currencies are typically issued and managed by local organizations or individuals within the community. They are often used to promote local economic development, encourage small business growth, and strengthen social connections within a community. Community currencies can take many different forms, including digital currencies, paper-based currencies, and time-based currencies, and may be backed by a variety of different assets, such as local goods and services, labour, or natural resources.





## Innovation tokens

Innovation tokens are a type of digital token that is created, distributed or registered through blockchain technology. Unlike cryptocurrencies like Bitcoin, which are used primarily for financial transactions, Innovation tokens are designed to represent a unit of value within a specific ecosystem. In the case of the Social Policy Co-Production Lab, the tokens will represent a unit of value that can be exchanged for various goods and services, including access to the Lab's services, funding for specific projects, and other forms of support.

## Distributed ledger technology

Distributed ledger technology (DLT) is a type of digital database that allows multiple parties to have simultaneous access to a single, synchronized version of a record or transaction. Unlike traditional databases, which are typically centralized and owned by a single entity, DLT is decentralized and maintained by a network of computers or nodes that work together to validate transactions and update the ledger. This makes DLT more secure, transparent, and resistant to tampering or fraud, as any changes to the ledger must be verified and approved by a majority of the network's participants

## IV. Technology

### Technical aspects of Innovation tokens, including their creation, distribution, and exchange

Innovation tokens are a type of digital asset that represent an underlying asset or service. They are created by the Lab as a community currency and every transaction is recorded on a blockchain, which is a decentralized digital ledger that records all token transactions in a secure and transparent manner.

Creating Innovation tokens typically involves outlining and agreeing about the details of the currency, such as its name, symbol, total supply, and any other rules or features that may be associated with the token. Only then, the tokens can be generated and distributed according to the terms of the agreement.

## V. Legality aspects

### Overview of the legal landscape surrounding the creation of a complementary currency and the use of blockchain technology

It is possible for public donors to fund the creation of digital community currencies, such as the innovation tokens proposed for the co-production Lab. The legal landscape surrounding the



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creation of a complementary currency and the use of blockchain technology in is complex and constantly evolving. Here are some key points to consider:

In Europe, The European Central Bank has recognized that community currencies fall outside the scope of its regulatory authority. European Union Directive No. 2366/2015 on payment services in the internal market, which includes an exception for institutions whose activity, is limited to the collection and delivery of cash within the framework of a non-profit or charitable activity from the legal conditions and requirements for carrying out their work as payment service providers. This distinction is important, because these transactions are not those regulated by the existing regulations as payment and electronic money services, subject to the control and authorization of regulatory institutions.

In the same way, EU Directive 2018/843 1 considers virtual currency this that it is not issued or guaranteed by a central bank or a public authority, not necessarily associated with a legally established currency, which does not have the legal status of currency or money, but accepted by natural or legal persons as a means of exchange and which can be transferred, stored and traded by electronic means.

Also, the same EU Directive 2018/843 clarifies, in its recital 11, says “Local currencies, also known as complementary currencies, which are used in very limited networks, such as a city or a region, or by a small group of users should not be considered virtual currencies”. In short, the European regulation is thinking of certain financial assets such as cryptocurrencies and other analogous products when it regulates virtual currencies, and expressly excludes complementary currencies, digital or otherwise. As a conclusion, the innovation credits system to facilitate economic exchanges at community level with the purpose of promoting local, social, and solidarity economy is exempted from this regulation in the whole EU.

The use of blockchain technology is not specifically regulated in the European Union, but certain activities, such as the operation of cryptocurrency exchanges or the issuance of security tokens, may fall under existing financial regulations.

Community currencies may be subject to taxation in the European Union, and it is important to consult with local tax authorities to ensure compliance with applicable regulations.

Overall, while the legal landscape surrounding the use of complementary currencies is still evolving, there are regulations and guidelines in place that can help ensure compliance and minimize risk. It is important to work with legal and regulatory experts to navigate this landscape and ensure that any activities related to the issuance and use of community currencies are conducted in a legally compliant manner.

## VI. Business Model

Potential revenue streams, including donor funding, crowdfunding, and consultancy services

The social policy co-production lab could generate revenue through a variety of channels, including:



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- **Donor Funding:** The Lab could seek funding from government agencies, foundations, and private donors to support its operations and initiatives. This funding could be provided in the form of grants, donations, or other types of support.
- **Crowdfunding:** The Lab could use Innovation tokens to raise funds through a crowdfunding campaign. The tokens could be sold to supporters and investors, who would receive rewards and recognition in exchange for their contributions. The Lab could use a platform like Kickstarter or Indiegogo to host the crowdfunding campaign, or it could build its own platform using blockchain technology.
- **Consultancy Services:** The Lab could offer consultancy services to institutions, organizations and individuals interested in co-production and social innovation. These services could include training and capacity-building, research and analysis, project design and management, and other forms of technical assistance. The Lab could charge for these services using Innovation tokens, with the amount of tokens required depending on the scope and complexity of the services provided.
- **Token Acquisition:** The Lab could also generate revenue by allowing institutional users to purchase tokens using fiat currency. These tokens could be used to access the Lab's services, as well as to participate in the Lab's governance and decision-making processes.

It is important to note that revenue generation should not be the sole focus of the social policy co-production lab. The primary goal of the Lab should be to facilitate collaboration and innovation in the field of social policy, with revenue generation serving as a means to support and sustain the Lab's operations and initiatives.

### Different types of tokens to incentivize collaboration and innovation within the Community of Practice

The lab will offer a non-profit payment platform that can operate at scale, addressing issues of digital financial inclusion as well as creating surpluses that support the development of SSE initiatives. It will also create a range of innovative tokens that count and celebrate social and environmental value rather than financial value. The tokens will build on gamification and social reputation approaches commonly used in social media and trading platforms, but will use these techniques to create positive outcomes for people and planet, rather than to drive up profits. In effect, they create a tech-for-good research opportunity that has the potential to create deep changes in societal culture and the economy that emerges from that. The Innovation tokens in the Social Policy Co-Production Lab will be divided into five main categories:

**Collaboration Tokens** - These tokens will be used to incentivize collaboration and participation within the Community of Practice. Users will earn Collaboration Tokens for participating in various Lab activities, such as attending events, contributing to the Wiki, and engaging in crowdsourcing and crowdfunding campaigns. Users can then use these tokens to gain access to Lab services, fund specific projects, and access other forms of support.

**Reward Tokens** - These tokens will be used to reward users who make significant contributions to the Lab. For example, users who make particularly valuable contributions to the Wiki, or who





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propose particularly innovative policy solutions, may be awarded Reward Tokens. These tokens can be used to gain access to specific rewards, such as one-on-one consultations with Lab staff or access to exclusive events.

**Rank Tokens** - These tokens will be used to recognize users who have achieved a certain level of status within the Community of Practice. Users who have earned a certain number of Collaboration and Reward Tokens may be awarded Rank Tokens, which can be used to gain access to exclusive content and events, as well as other benefits.

**Voting token** - All organisations with group accounts will be able to create a voting token. This will enable voting on polls for people that the Lab has accepted as voting members. Voting tokens offer a way for organisations to better understand the wishes of the community they serve, as well as countering feelings of powerlessness amongst community members.

**Innovation Credits** - These credits are a specific type of complementary currency designed to be used by institutional users to exchange fiat currency for coins within the economy of the social policy co-production lab in the Mediterranean region. These credits will act as a bridge between the traditional financial system and the complementary economy of the Lab, enabling institutional users to purchase tokens with their local currency.

To fund the innovation credits, institutional users will need to register with the Lab and provide appropriate KYC (Know Your Customer) and AML (Anti-Money Laundering) documentation. Once their account is verified, they will be able to purchase the innovation credit. The platform will allow users to purchase Innovation credits at a fixed price, which will be determined by the Lab. The credits will then be used to fund the Lab's services, participate in the Lab's activities, earn rewards, and access consultancy services.

The Innovation credits will be designed to comply with relevant regulations in the European Union and other jurisdictions where the Lab operates, ensuring that they are fully compliant with all applicable laws and regulations. By providing a secure and transparent mechanism for institutional users to purchase credits, the Innovation credits will help to ensure the stability and sustainability of the token economy of the social policy co-production lab, enabling it to continue to fund and support innovative social policy initiatives in the Mediterranean region.

There are various mechanisms for distributing innovation tokens, including:

- **Free distributions:** The Lab can distribute coins to members at no cost, with the aim of increasing visibility, attracting new users, and creating a network effect. The distributions can be linked to a reward strategy, where the Lab provides incentives for desired behaviours, such as submitting proposals, providing feedback, or collaborating with others. Innovation coins can be used as the primary reward currency, and users can earn them by achieving certain milestones or completing specific tasks. To fund its service provision, the Lab may need to secure other sources of funding or rely on experts providing pro bono hours to the Community of Practice.
- **Crowdfunding:** Crowdfunding is a method of raising funds for a specific project or initiative by soliciting small contributions from a large number of individuals, usually via an online platform. In the case of the Lab, crowdfunding can be used as a means of





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financing its activities and projects, such as research and development of new solutions, hosting events, or supporting the development of new tools or resources for the community.

Crowdfunding campaigns typically involve setting a fundraising goal and offering rewards or incentives to backers who contribute to the campaign. For example, a Lab might offer exclusive access to new tools or resources, personalized consultations or workshops, or other benefits to those who contribute to a crowdfunding campaign.

The Lab's online platform can be used to host the crowdfunding campaign and to track the progress towards the fundraising goal. This platform should be user-friendly and engaging, providing potential backers with all the information they need to understand the Lab's mission, the specific project or initiative being funded, and the impact their contribution will have.

Crowdfunding campaigns can be an effective way to raise awareness of the Lab and its activities, as well as to engage with the Community of Practice and build support for specific projects or initiatives. It can also provide a means of funding that is independent of traditional sources of funding, such as grants or donations, and can help to diversify the Lab's funding sources.

- **Donor support:** Donor agencies can fund the creation of new credits issued by the Lab in exchange for fiat currency. This creates a pool of innovation credits that can be used to provide services to members of the Community of Practice, incentivize participation in Lab activities, and encourage collaboration and innovation by creating a community currency that rewards individuals or organizations for contributing value to the community. This mechanism also provides transparency and accountability in the use of funds, as all token transactions are recorded on the blockchain in a secure and immutable manner.

## VIII. Conclusion

### Summary of key points

- A Co-production Lab in the Mediterranean region managed by a consortium of NGOs would benefit from the use of digital tools, including a website with an online community of practice, crowdfunding, crowdsourcing mechanisms, and a Wiki.
- Innovation tokens can be used to incentivize collaboration and innovation in the Community of Practice and facilitate crowdfunding and funding for demonstrative actions developed under the Lab's umbrella.
- The Innovation tokens can also be used to reward and rank participants based on their level of engagement and contribution.
- The tokens could benefit from a partial implementation of blockchain technology, focused on providing transparency and traceability to potential donors and partners.
- The legal landscape surrounding complementary currencies, Innovation tokens and blockchain is complex and requires careful consideration.



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- Potential revenue streams for the Co-production Lab include donor funding, crowdfunding, and consultancy services.

Overall, the use of Innovation tokens in the Co-production Lab can provide a more democratic and participatory approach to governance while also promoting innovation and collaboration in the Community of Practice.

### Implications and potential benefits of the proposed token economy for the social policy co-production lab in the Mediterranean region

Some potential implications and benefits of the proposed token economy for the social policy co-production lab in the Mediterranean region:

- Encourages collaboration and innovation among Lab participants
- Provides a transparent and traceable way to crowdfund and donate to the Lab's pro bono work and demonstrative actions
- Rewards participants with tokens for contributing to the Lab's activities, which can be exchanged for consultancy services or used to vote on future projects
- Enhances the Lab's credibility and attractiveness to potential donors and partners by providing transparency and accountability through the use of blockchain technology
- Offers a potential revenue stream through the sale of tokens to institutional users, which can be used to fund the Lab's activities
- Provides a new platform for knowledge sharing and community building through an online Community of Practice and a Wiki dedicated to co-production and social innovation

Overall, the token economy has the potential to incentivize collaboration, foster innovation, and enhance the overall impact and sustainability of the social policy co-production lab in the Mediterranean region.

### Recommendations for next steps in implementing the Innovation Credit System

Assuming that the technology partner and the lab management consortium have the necessary resources and expertise to implement the Innovation Credit System, here are some recommendations for next steps:

1. Define the use cases and design the token economics: Before implementing the Innovation Credit System, it is important to have a clear understanding of the use cases and the token economics, including the rewards, ranking system, and token exchange mechanism. This will require a thorough analysis of the Lab's activities and the goals that the token system aims to achieve.
2. Design the key characteristics of the new currency: With the use cases and token economics in place, the next step is to create the Innovation tokens. This will require the involvement of the technology partner and legal advisors to ensure compliance with regulations.





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3. Test the token system: Once the tokens are created, it is important to test the system to ensure that it works as intended. This will involve running simulations and identifying and resolving any issues that arise.
4. Launch the token system: With the testing phase completed, the next step is to launch the token system. This will involve promoting the system to the Lab's members and potential donors and partners.
5. Monitor and improve the system: After the token system is launched, it is important to monitor its performance and make improvements as necessary. This will require ongoing data analysis and stakeholder feedback to ensure that the token system is achieving its intended goals.
6. Consider further expansion: If the token system proves successful, the Lab may consider expanding it to other initiatives or organizations in the Mediterranean region. This will require additional planning and collaboration with other partners and stakeholders.

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