

Encointer Growth Treasury Proposal

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Encointer seeks for financing of its planned activities for the remaining time of its current common-good parachain lease, split into two proposals. The first part of the funding has already passed as [Motion 510](#). The current proposal is the second of two and shall cover the funding from beginning of October to the end of December 2022. Encointer's common good lease lasts until end of lease period 25, which is currently expected by Dec 12th 2022.

The amount of the proposed treasury spend is
CHF 257'500 => 261'491 USD => 7'773.55 KSM¹.

Soon we will [ask Kusama governance to renew our common good slot](#). From then on, we would like to set up a social contract with Kusama Treasury for quarterly funding for the duration of our common good lease. While we are actively looking for complementary sources of funding too (i.e. [gitcoin grants](#) and foundations focusing on financial inclusion and microfinance), we will continue to rely on KSM Treasury significantly.

As stated in the [first proposal](#), the main focus of Encointer is:

- to grow its Zurich community in order to prove the viability of its protocol and implementation as well as its economics with a pioneer community.
- to onboard new communities around the world, especially in less developed regions in order to follow its vision.
- to integrate with other parachains in the DotSama ecosystem for sybil-defense and one-person-one-vote democracy.

Main achievements of the Encointer team in the last four months:

- **“Leu” Zurich community** is steadily growing. In terms of income buying power, businesses accepting Leu, awareness and community size. More details below
- **New communities** are emerging around the world: In Kigali, Rwanda - in Green Bay, Wisconsin, USA - in Berlin, Germany. We expect at least one of these to launch on mainnet before the end of the year. Track [community onboarding progress](#) on our trello board
- **Education and research** efforts like presenting Encointer at the [Polkadot LATAM Hackathon](#) and securing a speaker slot at [RAMICS 2022](#) conference on “Complementary Currency Systems Bridging Communities”
- Implementation of minimum viable [democracy pallets for one-person-one-vote](#) has progressed well and a [minimum viable PR](#) will be merged soon.
- Our **new app developer team** in Kyrgyzstan was onboarded successfully and has already merged [many valuable PR's](#) for the *Encointer Wallet* app.
- Conceptual work on **privacy-preserving and scalable** [community sidechains](#) has started

¹ converted from CHF value explained in last section

Our [detailed progress report](#) can be found on polkasassembly.

What is Encounter?

Encounter is a *unique identity system* and solves one of Vitalik Buterin's [hard problems in cryptocurrency](#). The Encounter protocol ([whitepaper](#)) enables every human to maintain a unique proof of personhood (uPoP) through pseudonym key-signing parties.

Among its contenders ([Idena](#), [BridgHTd](#), [Trustlines](#), [CirlesUBI](#), [Proof of Humanity](#), [Worldcoin](#)), Encounter claims to have the most secure sybil defense mechanism. It requires physical participation at concurrent key signing meetups with randomized participants in randomized locations within a limited region in regular intervals. If the majority of a community is honest, the creation of sybils is prohibitively hard. Other projects use social graph approaches or randomized bilateral video chats which may be less involved and more inclusive - but also less secure.

Thanks to its sybil defense, Encounter can issue a basic income in local community currencies and effectively implement purchasing-power adjusted transaction fees leading to

Funding

For the full history of funding, please read our [previous proposal](#). The more recent positions are:

Date	source	funding amount	value at time
1.6.2022	Google NPO Grant (only applicable for ads in google search)	10'000 CHF / month	40'000 CHF
7.7.2022	KSM Treasury 510 grant	6'271.63 KSM	340'000 CHF
June-Sept	<i>estimation of pro-bono work</i>	210h	

means of realization	primary asset	cumulated realization
Exchange trades KSM of first half proposal	6'011 KSM	270'000 CHF
total		270'000 CHF

Currently, our [KSM wallet](#) has 601 KSM left (~21'000 \$)

Our DOT wallets' vesting has expired ([1](#), [2](#), [3](#)). Total amount is 5857 DOT (~37'000 \$) with 80 DOT reserved

Expenses

June - Sep 2022

Developers	mobile app "Encointer Wallet"	45'000 CHF
Developers	core protocol	55'000 CHF
Technical	other (testing, devops, infrastructure)	25'000 CHF
Operations	planning, organization, fundraising	35'000 CHF
Marketing	global	20'000 CHF
Marketing	pioneer community	20'000 CHF
Community	pioneer community project management, communication, user journey, stoke the fire, businesses accepting Leu	35'000 CHF
Expenses	software, travel, rent, lawyers, buybacks, support of communities	15'000 CHF
taxes and fees		5'000 ChF
total		255'000 CHF

Planning

The established OKRs for Q1 2023 are guiding our efforts for Q4 2022.

Objective for Leu Pioneer Community	Objective for Global Impact:
The Leu community is diverse and successful through and for Encointer	Encointer is growing and able to create sustainable social value on a global level
Key Results until March 2023	Key Results until March 2023
A 7,5% week over week growth, leads to around 15 businesses in Zurich accepting the community currency Leu.	3 new active communities have launched on Encointer mainnet and 10 new communities are in the onboarding process.
A 7,5% week over week growth, leads to an average of 100 participants in Zurich	a funding strategy involving different financial sources is implemented such that the next 18 months of development are secured.

5 valuable and functioning resources and templates used by the Leu community, were used as examples for other communities. E.g. a 5 pager with strategic hints, a community format like the Info Point, a flyer/website template or the market maker concept.	The Encointer platform and its communities suffer less than 2 days of downtime in total.
1 democratic vote on a high-impact topic has engaged 10% of the community (entitled to vote).	5 case studies show that the Encointer communities deliver social added value

Objective: Leu community is successful

Businesses accepting Leu

For the current quarter the Encointer team is implementing the strategy outlined in the [Report of Activities and Achievements](#).

To reach owner-managed businesses sharing the Encointer values, the main focus lies on making our advocate team effective. For this, a simple process has been designed and easy to use CRM with mobile apps has been set up. Next up are onboarding sessions and biweekly internal progress reports with the first two advocates .

To ensure that Leu keeps flowing, we want to

1. Incorporate the *association for circular economy (ACE)* in participation with the businesses that accept Leu. ACE will start buying back Leu from businesses with a discount and sell these Leu to the community with a slight margin, to cover operative costs. We want to validate the concept of the ACE by setting up channels to sell LEU back to the community.
2. We want to experiment with bonus payments to employees, finding the simplest way to do this from an operational and accounting perspective. The assumption is to use the frame for fringe benefits for this purpose to benefit from tax-exemption.
3. Although early feedback showed that it may be difficult to onboard secondary suppliers at the currently still low turnover in Leu, we will continue our efforts to widen the cycles in our circular economy.

The community growth strategy in Zurich relies on the local network saturation theory, which is well explained by Andrew Chen, partner at a16z, in his book [The Cold Start Problem: How to Start and Scale Network Effects](#). To reach local network saturation we focus the majority of our efforts in a single district in Zurich. This seems to be working, since we started to overhear random conversations discussing this new currency for Zurich. Even before we launched the billboard campaign, which is scheduled for November 14th. Depending on the results of the campaign we may want to repeat it early in Q1 2023.

Participants and Community Building

According to the [Report of Activities and Achievements](#), the community building efforts are currently in the *stoke the fire* phase. We can already identify certain members of the community showing up very regularly and recommending themselves as future community leaders for Leu. We assume that Q1 2023 will be mainly stoking the fire transitioning into “*pass the torch*”. We will keep offering the three formats to the community:

1. LEUTräff, which is a monthly, evening format with input from a speaker.
2. Info Point, which is the Leu team working from a well visible community space in a busy location in Langstrasse, so that interested parties can connect with the team.
3. The informal gathering after each key-signing cycle.

In total this leads to six recurring events per month in Zurich. This is how we want to keep building trust and strengthen the Leu community. Establishing the bidirectional digital community channel will be the next step to solidify the community interactions. The forum is live and was already used for a first controversial discussion: [Should daylight saving change gathering time?](#) To activate and include the community members in the forum conversations, we want to add one more, low barrier online format.

Our collaboration with an openair festival in Zurich was a great success, which is why we are looking to repeat participation in such events. In the winter months, movie nights, concerts and conferences instead of openairs are our focus.

A constant presence on our social media channels and an outreach to the local press complement our growth strategies for the fourth quarter.

Democratic Vote

The MVP of our democracy pallet is almost ready, such that the first tests can likely be conducted in Q1 2023. The concept for Encointer's one-person-one-vote subsidiary democracy can be found in [our docs](#). In order to reach the targeted engagement rates a communication and engagement strategy has to be worked out together with community members.

To make it interesting, we plan to propose to the Leu community a vote on an increase of the community-issued income which currently is 44 Leu (1 Leu = 1 CHF). An interesting option would be to launch a series of proposals in parallel with different degree of increase, like

- Proposal 1: Do you approve setting the Leu income to 55 Leu?
- Proposal 2: Do you approve setting the Leu income to 88 Leu?
- Proposal 3: Do you approve setting the Leu income to 111 Leu?

Then, the first proposal approved will cancel the others and be enacted for the next ceremony.

Privacy And Social Impact

We have learned that privacy is not only a nice-to-have if we want to achieve our goals: Privacy is key for the social impact of Encointer, especially in Zurich. The reason is that undocumented immigrants - who qualify to join our community and could benefit a lot - are very reluctant to leave traces that could later be used to send them out of the country.

Encointer is building TEE²-validated [community sidechains](#) based on the FOSS SDK from [Integritee](#). This implementation should be ready for testing by the end of Q4, such that the deployment can be conducted in Q1 2023. The horizontal scalability with the individual sidechain shards per community, will get more relevant in 2023.

Mobile App Development

The continuous development of the Android and iOS applications focuses on facilitating sales and growth. Facilitating sales by displaying the businesses accepting Leu and enabling community members to offer goods and services in exchange for Leu (Bazaar). Facilitating growth, with the integration of communication formats between community members, displaying news and where to meet the Leu team. Last but not least, a referral program could have a big impact on the week over week growth numbers.

Objective: Encointer is growing with global impact

Global Community Growth

The international community is developing nicely. The teams we track on the [Trello Board](#), reached out to us, expressing interest to implement an Encointer community in their region. This we see as a fortunate result of our global social media presence, the attendance of conferences and the Google NPO grant for search engine marketing. Also, using the very big network of Polkadot ambassadors has helped greatly.

Part of the onboarding process is guiding community leaders through the documentation, providing technical support and sharing community building insights. Further, we support community leaders with a milestone based unconditional seeding process, giving them moderate funds which they can apply for launching their community as they see fit (i.e. social events, guarantees for businesses, marketing). We are testing this procedure with current communities and might adjust it if necessary.

Our team is attending conferences in the Dotsama ecosystem but also in the complementary currency community to reach more community leaders and encourage them to start an Encointer community. For instance, Malik El Bay held a talk at [RAMICS biennale in Sophia](#). Furthermore, lead developer Christian Langenbacher is present at Web3 Summit and will attend Sub0 together with Sabine Proll from our team. Christian Langenbacher and Piero Gucciardi are planning to attend the [Polkadot conference in Lagos](#) planned for 14th of January 2023

During the next couple of months, Encointer founder Alain Brenzikofer plans to visit a few aspiring communities in less developed countries personally, to learn more about their circumstances and get direct feedback on the concepts of Encointer.

Fundraising

For Q4 we aim at presenting Encointer to various organizations active in the fields of financial inclusion and development aid. The documentation to approach the organizations and donors are being created. The expected output of this process is a pipeline we can use

² Trusted Execution Environment

in Q1 2023 to start closing deals. The current assumption is that we can find financial means to help the local implementations of Encointer communities in the global south.

Encointer platform UX

In the support conversations with global communities we learned that the current testnet setup requires significant technical knowledge, which can be a barrier. A new demonstration mode will reduce this. The goal is that an aspiring community leader can start the outreach within his or her network without any technical know-how. A nice side-effect is the possibility to easily demonstrate the procedure at events and presentations.

Added sustainable social value

The pioneer community is important to pave the way for communities in less developed countries. Welcoming and including less privileged members in Zurich like refugees or marginalized people will add social value also in Zurich. Partnerships with organizations already working with less privileged people on site are key. Therefore we reached out to [AOZ - Stadt Zürich](#) (Asylum organization for the canton of Zurich) and [Essen für Alle](#) (food for all).

Legal and Regulatory

While we received encouraging legal advice regarding taxes and laws for our community in Zurich, we also got feedback from global communities that community leaders may face certain legal risks. We need to stay proactive and are thinking about building a financial reserve to provide legal counsel to community leaders.

Budget

Our planned average burn rate for the next half year:

Operation and Maintenance of parachain	details in our previous Q1 22 grant proposal	10'000 CHF/mt
Rust Developers, ~2 FTE	core, democracy and sidechaining.	24'000 CHF/mt
Flutter Developers 2.2 FTE	mobile app (team mainly in Kyrgyzstan)	6'000 CHF/mt
Operations, ~1 FTE	coordination of different teams and organizational development. support global community leaders. administrative, fundraising and representative activities.	10'000 CHF/mt
Community growth and local marketing, 1-2 FTE	onboard businesses accepting Leu currency.	15'000 CHF/mt

	recruiting, training and remunerate ambassadors. Foundation of association for circular economy (ACE). “Stoke the fire” of pioneer community. Social media activities and public relations.	
Marketing global 0.5 FTE	Blog posts and social media activities to acquire new global community leaders Plus expenses, events, conferences	5'000 CHF/mt
total		70'000 CHF/mt

Our planned special expenses for Q4 2022:

Seed capital for first few international communities	Milestone-based unconditional seeding for community leaders to launch their community as they see fit (i.e. social events, guarantees for businesses, marketing).	30'000 CHF
Expenses not included above	software, travels, marketing materials, administration, bank	7'500 CHF
Reserves	Legal and MISC	10'000 CHF

Treasury Proposal

Encontre proposes a treasury spend to cover Encontre's expenses for the remaining time of its common-good parachain lease. The expected end of its lease is expected by Dec 12th 2022. This proposal shall cover the operational cost for the common-good parachain and the growth and enhancement costs for Q4 2022, a total of 3 months, along our new budget outlined above.

the requested positions are, therefore:

Operational Cost of Parachain only	Q4 2022: 3mt x 10'000 CHF/mt	30'000 CHF
Planned cost for growth and	Oct-Dec 2022:	180'000 CHF

enhancements	3mt x 60'000 CHF/mt	
Planned special expenses	Oct-Dec 2022	47'500 CHF
total	for Q4 2022	257'500 CHF

We are aware that this is a very big spend at once. Our justification is the following:

1. Working with iterative treasury proposals in the order of a few 10k USD puts a very high administrative burden on the association and causes delays. Moreover, in order to hire personnel, we need more **planning security**.
2. Over the last 3 years, the Encointer Association has shown that it is determined and capable of **delivering on its promises**.
3. Through its unique value proposition, Encointer can help strengthen the **inclusiveness of the Kusama ecosystem**
4. The applications of its technology in the Kusama ecosystem go far beyond the core mission of Encointer, providing benefits like **one-person-one-vote governance, sybil attack prevention and proof-of-location to any project in the ecosystem**
5. The project just started to get **traction** and expand globally and is becoming ready to be scaled, hence fulfilling its vision of making a positive impact on the world by supporting underprivileged communities.
6. Encointer is among the most ambitious projects in the DotSama ecosystem, yet it **can't offer a return on investment** by its design and fundamental nature. Therefore, it can't raise VC nor retail investor money. The Kusama council and the KSM token holders have therefore previously granted Encointer a common-good parachain slot.

In parallel to this proposal we will [propose a renewal of our common good slot lease](#) by another 48 weeks. The two proposals are not dependent on each other as this one covers costs for the remainder of our already granted lease periods.

Payment Conditions

The rate will be applied at the time when the proposal is filed, based on [EMA7](#) 7 day moving average for the KSM/USD rate (33.552 USD/KSM). The CHF/USD rate shall be the daily rate at the day of submitting the proposal (1.0155 USD/CHF)

The beneficiary address shall be:

EyXct79ZDWdQfcSgJTG5texKM9wJj3quyh1ugPDVSkSt3Xm

owned by:

Encointer Association
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CHE-288.701.841