FAIR ECO

TRUSTED AND FAIR FINANCING
FOR THE COMMUNITY

WHITEPAPER

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1.
Executive Summary

Crowdfunding becomes extremely favoured due to its simplicity but effectiveness which opens the opportunities to inspired and innovative Makers in offering their products or services that address the real world challenges and also create the massive and positive impact to the community. Crowdfunding is the practice of funding a project by raising small amounts of money from Backers who believe in products and services that could potentially disrupt the existing models or invent the great things.

From the study in projects that have successfully raising fund, we found that there are significantly increasing in number of projects that fail to deliver products and services as state in their project plans, which effect to Backers who lost their investment and unable to request any refund from Makers due to its nature in Crowdfunding platform.

FairEco platform, a Crowdfunding platform leveraging the Blockchain technology is designed and engineered to be the fair platform for Makers with innovative ideas to offer their products and services and also provide an appropriate margin for Backers to support the project at the reasonable amount of the investment. The platform also enables Backers who support the project to have an opportunity to confirm with the Maker for their executions of the project that they have invested from the start until project complete.

FairEco platform is designed to ensure that it is fair for **EVERYONE** who truly believe in Crowdfunding

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2.
The Challenges

2.1 No Control over Project Execution

Fundraising via Crowdfunding is a way to raise the fund from Backers who are interested and confident in good projects, in project that aim to solve and effect the society in positive way or impress with commitment of the Makers. In return, Backers would receive good products or services, along with Backers would get the chance to be the first group to use the products or services, which quite often these first group of users create acknowledgement to wide range of society. Crowdfunding statistic of year 2012-2015 [1] found that number of projects were increasing in every year. From statistic on 8 June 2018 [2] found that there are over $3,720,870,063 pledged to fundraising via Kickstarter platform and there are over 145,091 projects successfully funded.

As we look into various Crowdfunding projects, we found that many of the Makers terminate or unable to deliver project as promised. In addition to this, there are many people who use Crowdfunding to raise the fund with no intention to complete or deliver the projects, which is effect to Backers who lost, both, money and time in waiting for products and services from Makers. For example, in 2014, Artechnica [3] reported the project that did not deliver and terminate the project, as well as Reddit [4] confirmed that many well known projects, success in fundraising but terminate the project without notice.

From the study of University of Pennsylvania found that over 35% of all Backers participated in the successful fund raised projects, are not satisfy with the projects that cannot deliver products or services as state, unable to follow the strategy or terminate the projects unexpected. This unsatisfied number of Backers is significantly increased years by years. 9% of all Kickstarter's projects, who successfully raise the fund terminate the project or unable to deliver as planned. 8% of Backers of all projects did not receive anything in return, as well as the delay of the actual work comparing to the plan. From the same study explained in more details.

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2.2 All or Nothing

With Crowdfunding fundraising, Backers are able to participate in any projects they like or believe in and decide to support Makers freely. Fund will be raised through the platform designed to facilitate both Backers and Makers to transfer fund from Backers to Makers. Makers are responsible to provide attractive project proposal including the innovative solution, sound execution plan, the deliverable items, tangible products or services, team or group of people working for the projects, and also creditable investor or shareholders in order to ensure that they can deliver according to the plan.

However, the platform NEVER assure whether Backers will receive products or services. Simply put this way, if Backers have invested in any projects, all their fund after platform fee applied would be transferred to Makers and it is solely the right of Makers to manage fund return to Backers in case they decide to terminate the projects or unable to continue the execution according to the plan. For example, fundraising for innovative iPad [6] was decided to terminate the project and it appeared that there is no money return to Backers.

In other words, even Backers have freedom in choosing which project to participate and invest, they are also responsible for their own risk in not getting products and services, as well as loss of investment money.

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3.

Our Approach: FairEco Platform

Raising fund through Crowdfunding has 3 parties involved, which are Makers who develop projects, Backers who invest into project and Platform as a marketplace. Makers place the projects that they would like to raise the fund from Backers, who put investment money into projects they are interested. Backers will support Maker through the Platform, which Makers will be able to use Platform to report progress of the projects after successfully raise fund for the project.

However, with significant increasing number of projects that terminate or unable to deliver products or services as planned, resulting in investment money loss as no refund policy indicated in such projects.

Because of above issues, FairEco has fundraising platform for Crowdfunding on Blockchain technology that aim to mitigate project execution risk as well as financial risk with no central wallet maintained, periodic project payment, and veto vote supporting for Backers.

3.1 Fair Contract

Contract of the projects in FairEco platform is a contract only for Backers and Makers. The platform has NONE of wallet that store money for any related parties.

Platform helps facilitating the parties in the platform in creating contract that able to define the project payment policy and provide opportunity for Backers to approve or deny payment in each payment cycle to ensure that the project execution remains under control and Backers will eventually receive good products or services as expected.

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3.2 Project Payment

FairEco platform is the Crowdfunding developed on Blockchain technology and designed to govern the payment policies for any projects created under the platform. Payment cycles, duration of each payment cycle and approval period for the payment are the set of payment policies that support in the platform. This help mitigating the risk in losing investment money for Backers that pay through Platform to Makers.

Therefore, the platform protects Backers fund and reduces any financial and project execution risk to the acceptable level.

3.3 Veto Vote

FairEco Platform is able to define payment policy within the projects and utilize such policies as a tool in reducing risk of Backers. Backers could vote to stop paying investment fund to project, if that projects indicate that they cannot operate as plan, delay in delivery, or likely to terminate the projects.

The ability to prohibit paying out investment money to project in each payment cycle will make projects more transparent as it will be examined, which is fair to members in the system who would like to raise the fund via FairEco platform.

4.
Crowdfunding Platform Challenges

One of interesting issues from crowdfunding arises when a project receiving fundraising decides to terminate its operation as it fails to deliver a good or service as promised, fails to fulfill a contract, does not have an outcome as announced and does not refund back to the backers even if the project receives full financial support. This irresponsibility results in the negative image about the crowdfunding ecosystem.

No damage control from funding support to projects is another issue that no crowdfunding platform proposes prevention or damage control measures for funds which a backer give to a maker in a particular project. This issue includes no substantial operation monitoring. This causes makers increasingly not to be responsible for project implementation.

Project development often face with challenges and this is what the maker has to deal with and continuously solve problems during project implementation, such as different legal issues across countries, operation expense, manufacturing cost, marketing expense, fees from each stage, and financial tax and interest which must be taken into account closely, through the end. Those problems do not include other expenses like the cost to hire qualified and competent personnel. These numerous factors are the main reason which causes successful fundraising projects to be unable to achieve the target or to approach the milestone late.

Problems of crowdfunding system can lead to loss of investment funds or high pressure which a maker has to assume the risks on project creation and operation to achieve the project objectives, but the crowdfunding system does not facilitate means to deal with such issues, such as no refund in case of project termination prior to good or service delivery and damage limitation from fundraising. All of these issues must be considered seriously.

To ensure that funds raised from backers for a project will be used by the marker effectively, problems and challenges must be resolved throughout project development in order to deliver goods and services on time. And this is the objective of FairEco crowdfunding platform on the blockchain technology.

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5.
FairEco Smart Contract

FairEco Smart Contract or the contract comprises of the following components:

- • Contract Attributes
    - Contract Unique Number
    - Name
    - Duration
    - Description
    - Impact
    - Objective

- • Stakeholders Attributes
    - Makers information including wallet address
    - Backers information including wallet address
    - Any other Stakeholders

- • Project Policies Attribute
    - Fund Needed
    - Payment Terms
    - Payment Terms Conditions
    - Veto Score
    - Rescue Score

For the successful fundraising project, the FairEco smart contract will be created and allocated exclusively for Makers and Backers on that particular project. Project policies including but not limited to total amount of raised fund, payment terms, amount of payment terms, deliverable for each payment terms, veto score vote for payment term approval and also rescue score will be encapsulated in the smart contract to ensure the continuous of the project execution for Makers, investment assurance for Backers and also transparency of project payment for both Makers and Backers. Ultimate goal of the FairEco platform is to create the fair participation of the projects for the community.

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The platform can be utilized by Makers for project management such as project status tracking, project report for involved stakeholders and also communication channel for the project. Project management features are one the main functionality designed specifically for Makers in order to remove fundamental burden when carry on the execution and allow Makers to focus on crafting product or services that need to be delivered within agreeable time and plan.

Unique contract number will be assigned for any successful fundraising project that later can be used by Backers and public users to observe or track project status reported by Makers. Not only project status, but all challenges, remain issues, estimate time to deliver, previous project payment should be provided regularly by both platform and Makers. At the same time, the status report can be viewed as updated news or announcement of the project for marketing purpose in particularly.

Our ultimate goal is to open the opportunity for everyone in sharing the success story together, become trustworthiness platform for Makers and Backers in contributing to the society, facilitate the community in addressing any challenging and complex projects to create positive impact and also immune to any fraudulent activities by project empowerment. This is our intention since the beginning and definitely be a part of FairEco platform, the decentralized platform built on next generation of distributed computing technology or Blockchain.

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6.
Project Payment

FAIRECO SMART CONTRACT

On the payment due date or Maker issues Payment Request, the status of the project will be changed to "Waiting for disbursement approval" according to the due date which identified in the payment schedule.
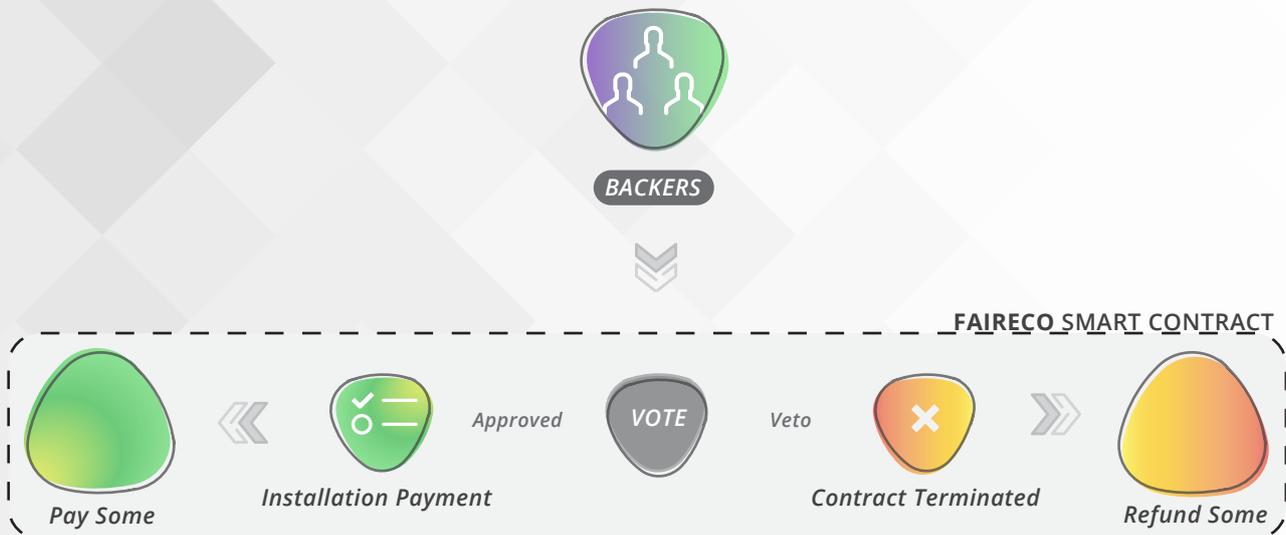
For the 1st payment, the system will manage the payment for Maker immediately without the approval process. Exception can be defined in the contract if any.

On the next payment, the platform will assign approval duration based on conditions defined earlier in the contract. On the specified due date, the system will inform every Backer participated in such project to veto vote or appeal vote that payment. Right to veto for Backers is specifically designed and built in the Platform for each payment.

Backers in the system always have the right to inhibit disbursement in that period of project payment if they found the reason to discontinue the project or concerns regarding the projects execution which required Makers to give the explanation. The checking incorporated in the Crowdfunding environment is to ensure that the FairEco platform cherish good and committed Maker and also mitigate any financial risk of Backer to the acceptable level.

7.
Veto Vote

BACKERS

FAIRECO SMART CONTRACT

Pay Some — Approved — Installation Payment — VOTE — Veto — Contract Terminated — Refund Some

Usually, the system will set the status of every Backer as "Approved" or agree with the disbursement to Maker to run the project as the plan.

Every Backer has the right to vote "Inhibit" or Votes for Veto of the disbursement or payment of each time during the period of disbursement approval.

When the period of disbursement approval is over, the system will turn off the vote to inhibiting and operate for Approved or Rejected by Veto Score or Inhibit from every Backer who votes in that period.

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7.1 Veto Score

The calculation of Veto Score can be shown as follows;

> **Veto Score (%) = (Total Votes for Veto / Total Backers) * 100**

Total Votes for Veto or vote for "Inhibit" from Backer
Total Backers or the total numbers of Backers in the project which the status is "Approved" regularly.
Veto Score or Consensus conditions of disbursement inhibit

For example, Backers who support the project of 20 persons (Total Backers = 20) and Backers who Vote for Veto of 5 persons (Total Votes for Veto = 5). From the above equation, Veto Score = 5/20*100 or 25%.

The conditions of Veto Score will be identified in the contract at the beginning of the project development. For example, if Veto Score more than 50%, it means 50% Backers disagree with that disbursement and the status of the project will be "Consideration pending" for Maker to inform the reasons for the project implement or additional action such as extend or shorten the project duration and set the new payment schedule.

In the other hand, if Veto Score is lower than the conditions, the system will make the payment for Maker automatically because most of the people agree. The system will inform the status for Backer continuously for the status of the disbursement. The core of FairEco platform is the continuous communication of the project to let the shareholders know the feasibility of the project all the times.

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7.2 Rescue Score

The consideration of project implementation will be done by Rescue Score. When most of Backers disagree with the implement of the project and wait for Maker to inform the reason of the implement. Then, the system will allow users to participate in the decision-making process to allow the project to further implement by considering the reasons of Maker. The system will set "Project Implement consideration period" to allow participants to set the direction of the project.

The conditions of Rescue Score will be identified in the contract at the beginning of the project as Veto Score. For example, if Rescue Score is higher than 50%, it means there is the consensus to run the project further or people agree with the reason by Maker and Maker can request the disbursement from the project.

The calculation of Rescue Score can be shown as follows;

$$\text{Rescue Score (\%)} = \frac{(\text{Backers' Approval} \times 0.7) + (\text{Users' Approval} \times 0.3)}{(\text{Backers' Reject} \times 0.7) + (\text{Users' Reject} \times 0.3)}$$

Backers' Approval or vote from Backers who agree with the project to continue
Backers' Reject or vote from Backers who disagree with the project to continue
Users' Approval or vote from Users of other FairEco systems who support this project
Users' Reject or vote from Users or vote from FairEco systems no longer support this project

In case of Maker does not explain or take any action, the system will pay the remaining amount to Backer automatically which make Backer take only the risk that necessary which is the core of FairEco system. Therefore, Backer can confident to support the good project of Maker.

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8.
FairEco Token (FECO)

Term of Token Creation and Distribution

For crowdsale, we invite individuals and/or organizations that believe in the FairEco project and subsequent ecosystem, to participate in the initiative, and buy the FECO token. Out of the 60,000,000 FECO tokens issued, 39,000,000 (65% of the FECO tokens) will be made available during crowdsale. All unsold tokens will be burned at the end of crowdsale. The FECO token will also support the FairEco ecosystem – as per our proposal - since it will be used for transactions within it further boosting its value.

65%	ICO
20%	Reward and Bounty
7.5%	Founders & Team (12 Months vesting)
7.5%	Advisors & Future Partners

Note: A private ICO will be run for selected contributors which will be approved by FECO, following their submission for the Whitelist. They will be receiving their tokens, before the start of the ICO. The remaining tokens will be available to the public during the official crowdsale. Unsold tokens at the end of the ICO period will be burnt (destroyed). Additionally, the percentage burned will also be matched across other allocations mentioned above, to avoid inflation.

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Hardcap

For the ICO, our aim is to gather from contributing participants the equivalent of 30,000 Ethereum. The ICO will be terminated once the hardcap target has been achieved.

Softcap

10,000 Ethereum

Unsold Tokens

All unsold tokens will be burned at the end of the ICO.

Additionally, the percentage burned will also be matched across other allocations mentioned above, to avoid inflation.

Token distribution prior to the ICO will be sent manually. Token prices will be based on the table above. If for example the first 80 000 000 tokens are obtained prior to the ICO, then only 120 000 000 will be available at the lowest price when the ICO will start. So the smart contract will be adjusted based on the number of tokens initially obtained prior to the ICO and will then be uploaded on blockchain.

Token Distribution Dates for Pre-Sale and Public ICO:

Will be announced on our official website.

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9.
Funding Allocation

Funds received from crowdsale are intended to be used mainly for the development and progression of the FairEco Platform. The level of funding received will dictate the extent of the development, with the proposed phase development being our priority.

Use of Funds: FairEco plans to utilize cryptocurrency where possible, but will also have to exchange crypto-funds for fiat currency to cover some of the below expenditure.

The breakdown below suggests a rough estimation of how funds raised during crowdsale will be allocated:

50% will be reserved towards project design and development
30% will be allocated for sales, marketing and community management
5% towards operational costs, including office rental, equipment, etc.
5% for legal consultation
5% towards administrative expenses
5% towards the redundancy fund

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10.
Phase Development

2018

July
FairEco Launch

Quarter 3 – Quarter 4
FairEco Platform Proof of Concept

The FairEco platform proof of concept has been developed including but not limited to Maker and backer main functions, request withdrawal and consensus veto to abort the wire transfer. Security, performance and quality assurance processes are conducted intensively.

2019

Quarter 1 – Quarter 2
"FairEco Platform Final Review": Invitation of system testing has been released iteratively. The FairEco platform features have been added and developed continuously based on feedback from the testing.

Quarter 3
"FairEco Platform for Maker and Backer": Announcement of fully functional FairEco platform for the community. Backer's wallet can be utilized to support Maker's projects. Funding of project can be aborted based on backer's veto. We want to create the fair crowdfunding for everyone.

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A Background of Crowdfunding Platform

Crowdfunding is donation-based fundraising for businesses or creative projects, typically via an online funding portal. Some but not all crowdfunding projects offer contributors rewards, which may differ based on the amount of money donated. Rewards can include copies of a creative work, products created with the funding, special or personalized incentives (such as autographed works or promotional merchandise), or public recognition.

Crowdfunding is the practice of funding a project or venture by raising small amounts of money from people, typically via the platform on Internet. Crowdfunding is a form of crowdsourcing and alternative finance. In 2015, a worldwide estimate totaling over US$34 billion was raised by crowdfunding. Moreover, they are more 3000 operating crowdfunding platform sites are online nowaday.

Crowdfunding model is generally based on three types of actors:
Maker: the project initiator who proposes the idea or project to be funded,
Backer: Individuals or groups who support the idea,
Platforms: A moderating organization that brings the parties together to launch the idea.

Today Crowdfunding Process

During the crowdfunding process, an initiative project or venture will be describe and explain their campaign on the platform which suites to them. For instances, Campaign purposes, Target funding, Timeline.

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For publishing and offering something special to an individual or group who interested in makers campaign, if someone who wants to take part in the campaign they will pledge the amount of money to support maker. Backer can pay by transfer the money from own account to the campaign account or they also able pay by credit card too.

However the amount of money that they pledged to that campaign had not transferred to maker immediately yet. These total money will be accumulate and represent via the platform.

In contrast, backer can refund their money from the platform if the duration of campaign have not completed yet. They will be get refund money within about 7-14 business days. It is depending on policy and refund condition term in each platforms.

The total pledged money will be freezing until the fund raised are reaching the target in each campaigns. After reaching platform will be transfer total money to the maker for developing their project. Unless all of moneys are refunding to all of backers who takes part in this campaign. This concept have also known in "All or Nothing model"

The average operation fee on platform are between 5-10% of raised funds. After maker receive their funds, they will be develop and delivery product to maker who participated in funding process in timeline which they are promising in their campaign.

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12.
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