PRESENTATION – ARTHUR WOOD
2019 – JANUARY 30TH

A PARADIGM SHIFT FOR DEVELOPMENT FUNDING

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PROJECT1800.ORG

Securities offered through Growth Capital Services, member FINRA, SIPC. 582 Market Street, Suite 300, San Francisco, CA 94104
THE LESSONS OF HISTORY
OECD BLOG - DEVELOPMENT MATTERS

Niccolo de Mechilino 1472 – Dante Paradiso et Inferno
BRETTON WOODS SYSTEM IS NEARLY BANKRUPT - AGEING POPULATION – RATIO OF POPULATION – 15 – 64 / over 65 = UNFUNDED UNACCOUNTED LIABILITIES + MIGRATION = DECLINING BUDGETS

(SOURCE: UN & CANADIAN TREASURY)
To create a **Systems** approach to development – a **Collaborative** Scale able Outcome Model.

- **Apply New Economy Model** - Cost effective open architecture “plug and play”

- **Metrics Frame** - priced by and from the community measured by the delta of reducing all the negative externalities

- A **standard equity security which captures both Economic and Social Value** and trades (Like Carbon) as a function of the achievement of economic aggregation **AND** the Social outcome.

Chateau de Bogis Bossey – Dec 2017

“THIS IS DOABLE”
BILLIONS TO TRILLIONS - INTL DEVELOPMENT - SO WHERE IS THE MONEY VS THE CAPITAL PROBLEMS TO ADDRESS THE ISSUES OF SDG 2.5 TRILLION PA, DEMOGRAPHICS PINCERS, CLIMATE, RESOURCE USAGE 1.7?

CURRENT + The profitable “new” impact investing v.1 + v.1A + v.2

NOT FOR PROFIT
= GRANT & AID

GOVERNMENT
TOP DOWN AID $135BN

FOUNDATIONS
$45bn (US) – GLOBAL 100BN ?

REMITTANCES + LOCAL
$500bn EMPOWERMENT

INDIVIDUALS (US)
$290bn (Fragmented , 40% religious + 5% International)

FOR PROFIT

FOUNDATION CORE
$1 Trillion > MRI

OUTCOME MODELS
SIBs, DIB’s & BLUE EQUITY
$ Problem = $ Opportunity (Trn)

SOUTH / SOUTH
PENSION FUNDS
Now $2.3 Trillion
$17.4 Trillion in 2050

IMPACT INVESTMENT v1A
Multi Billion Models

PARABOLIC INSURANCE ($4trn)

ISLAMIC ($3trn)

SRI INVESTMENT
$10 Trillion

GOVERNMENT DFIs $45bn
THE BLENDED DEBATE

GREEN BONDS $100BN

MICRO FINANCE $50bn / $35bn

VENTURE CAPITAL & PE $100bn
($500bn - $975bn ? )

ESG ($22trn)

Sources: TIA, Hudson Institute, McKinsey, AMF, WHO, WSP MIX
TODAY

SOLUTIONS AND MONEY IN SILOS
DISINCENTIVES TO SCALE AND COLLABORATION

BILATERAL AND HIGHLY FRAGMENTED

INNOVATION
COLLABORATION
METRICS
AUDIT & FEEDBACK
MONETISATION (PURELY TACTICAL)

ISSUE, PROCESS, COUNTRY SECTORAL SILOS - ALL UNALIGNED

LIMITED REASON FOR LARGE SCALE REPLICATION & COLLABORATION

NOT FOR PROFIT

FOUNDATIONS
98% OF CAPITAL UNALIGNED

GOVERNMENT
THE DEMOGRAPHIC PINCERS

BOTH FLAT IN REAL TERMS OR NEGATIVE

FOR PROFIT

CORPORATE

FINANCE

FRAGMENTATION
SEE LACK OF SCALE & CULTURE GAP

NARROWLY DEFINED IMPACT INVESTMENT (VC / ESG AND BLENDED)
TODAY: Foundations - A Self Imposed Capital Famine - $1 trillion + Unaligned with Social Mission - Circa 1-3% pa only to Social causes, (the same as the Bankers' return)
Lack of Scale and Collaboration for Social Sector and Low margins for Banks

Individuals
- Donations

Governments & Local Authorities
- Grants

Foundations
- Grants

THE PRINCIPAL
Service Providing Charities
- Services

Beneficiaries

FUNDERS: GLOBAL FOUNDATION ASSETS $1 TRILLION + GOVT TOP DOWN FUNDING

FINANCIAL SECTOR - OF THAT $1 TRILLION estimated only 2% Mission Related Investment & only 2% of that in social equity (0.04%)

Bankers managing core funds of foundations take 1% - 2% fees of $1 trillion ($10-20 bn) equivalent to 20-40% of all grants per annum

OF THE AVG 5% PA GRANT ALLOCATION
- Bilateral and siloed
- Cost of allocation: 15-43%
- High Structural Inefficiency, Flight capital & corruption: 5%-80%

SOCIAL SECTOR
- No economies of scale
- High Fragmentation
- Management focus
- No / Limited collaboration

BENEFICIARY RECEIVES ON $1 TRILLION CIRCA 1-3% PA
TODAY - WHERE IMPACT INVESTMENT HAS CURRENTLY GONE – THE G8 IMPACT INVESTMENT MODEL (2014)

**FUNDERS - ALIGNMENT OF $1 TRILLION FOR SOCIAL GOOD.** GOVERNMENT OUTSOURCING ON BASIS OF EFFICIENCY, INCENTIVES TO COLLABORATION AND SCALE

**FINANCIAL SECTOR - THE PRINCIPAL IS NOW VC IMPACT INTERMEDIARY**

- Proposed GP/LP Legal framework - No transparency
- Metric Proposal to legitimize social mission measures current level of inefficiency not future cash flows of scale and collaboration
- Inconsistent to have a Bilateral VC structure for Multi-stakeholder Outcome model
- No mission, No asset lock, No Profit lock
- The impact intermediaries with limited risk are the new bankers, judge, jury & beneficiary who also allocate the risk

**SOCIAL SECTOR - NOW ARE SUBCONTRACTORS**

- Future sizeable Cash flows of scale and collaboration and efficiency (See GAVI, US CRA, Compartementos) accrue to the Principal not charities / beneficiaries
- Operational Risk Subcontracted to Social Sector and Beneficiaries
- Social Sector with no annuity remains under capitalized
- Danger of Politicisation
TODAY - OPPORTUNITY

SOLUTIONS AND MONEY IN SILOS
DISINCENTIVES TO SCALE AND COLLABORATION

BILATERAL AND FRAGMENTED SILOS

| DFI | NGO | UN | CITIZENS ORGS | CORPS | HYBRIDS |

THROWING SILVER BULLETS AT THE FOUR HORSEMEN OF THE APOCALYPSE

INNOVATION
COLLABORATION
METRICS
AUDIT & FEEDBACK
MONETISATION (PURELY TACTICAL)

SOCIAL R&D IN GRANT AND VC MODELS HAVE NO ANNUITY VALUE

NOT FOR PROFIT

FOUNDATIONS
98% OF CAPITAL UNALIGNED

GOVERNMENT
THE DEMOGRAPHIC PINCERS

CORPORATE

FINANCE

FOR PROFIT

BUT

HYBRIDS LEGAL SYSTEMS FINANCIAL

THE COLLABORATIVE OPPORTUNITY

THE MARKETS OF FUTURE.

IMPACT INVESTMENT v.2

PRICE AND TRADE EXTERNALITIES

MILLENIALS, ISLAMIC & WOMEN

S

W

INNOVATION
CAPITAL SUBSIDY
GROWTH OF CIVIL SOCIETY

INCENTIVES UNALIGNED
SILOS
R&D HAS NO VALUE MC = MR

T

TWIN PINCERS OF DEMOGRAPHICS
COST OF EXTERNALITIES
YOUTH
Redefining the Social Contract by Hybrid Partnerships & driven by a Changing Economic Environment

Recent years have seen the development of Hybrid partnerships between the Citizen Sector and For Profits – some see it as the new driver of growth.

Growth of Civil Society
- CAGR 13.8%

% of Total Corporate Revenues in Africa & Asia

- Unilever: 6.1%
- Vodafone: 2.3%
- GE: 7.6%
- CocaCola: 1.6%
- Nestle: 3.6%

1. Number of International Associations (UIA)
2. Accenture, TIA Analysis, Company Reports
# NEW PARADIGM IMPACT PHASE v.2

[PHASE v.1 - Microfinance & GAVI & Private Public Partnerships]

## IP MODELS

**Intellectual Property techniques** to capture a greater % of the 97% of Intangible value linking price received by Producers to final retail price. Estimated $100bn (ref: DfID, USAID, OAS) - Lightyears - Ethiopian Coffee, Divine Chocolate

**Problem solved:** Trade for Aid and get Paid / Redefine Corporate Relationship

## GREEN BONDS

**Reduced cost of capital** - Estimated $100bn (ref: Unilever)

**Problem solved:** Reduced cost of capital because its green

## CORPORATE VENTURE CAPITAL

**Impact Investment 101 - G8 Model** Invest in early and mid-stage or package through VC and PE Models and into Innovation Funds - $60bn growing 17% pa

**Problem solved:** Injecting innovation & bottom of the pyramid solutions

## BLENDED MODELS

Or **Layered** models - Philanthropic capital prices risk out to bring in commercial capital (ref: Eye Fund, Nestle Colombian Mills)

**Problem solved:** Price out the risk to draw additional capital

## SOUTH CAPITAL MARKETS

Leverage $9 trillion local capital markets - ie $2.4 trillion pensions to fund their own infrastructure - mills, ports, transport, social goods. (ref: AMF). Estimated IRR 30%

**Problem solved:** Leveraging local capital markets enabling growth

## OUTCOME MODELS (SIbS / DIBs / SYNs)

Funding and scaling by “Outcomes” the use of **Structured product** - the problem becomes a market opportunity - can be used for innovation & / or scaling. (ref: Danone, World Bank, Bloomberg, Accenture)

**Problem solved:** Collaboration between players, public-private; Ultimately SYN Creates Outcome Models by Monetizing Negative Externalities = Social Equity
Tomorrow - Can a New Economy Paradigm now be applied to Development?

Something interesting is happening.
TOM GOODWIN
HYBRID LEGAL FRAME SUPPORTING MULTI STAKEHOLDER INTER - INTRA AND CROSS COUNTRY OUTCOME MODEL

PERSONALISATION TO STAKEHOLDER

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<tr>
<th>INNOVATION</th>
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<th>METRICS</th>
<th>AUDIT &amp; FEEDBACK</th>
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R&D

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METRICS

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<th>COMMUNITY</th>
<th>MEASURE DELTA EXTERNALITIES</th>
<th>COMPARATIVE &amp; COMPETITIVE</th>
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VALUE

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<tr>
<th>FIVE FINANCIAL VALUES</th>
<th>ENTREPRENEURS (Social &amp; Financial)</th>
<th>COST STRUCTURE</th>
<th>COLLABORATION EXTERNALITIES</th>
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INSTRUMENTS

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<th>TRIGGERS CONTINGENT PAYERS FROM</th>
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“BLUE EQUITY” – STANDARD EQUITY WITH DIFFERENT CLASSES

REPLICABLE AND LIKE ANY OTHER CAPITAL MARKET -

PAY GRANULAR RISK RETURN

OF KNOWLEDGE

PAY GRANULAR VALUE

OF KNOWLEDGE

TRACKING & PAYING GRANULAR VALUE

BLOCKCHAIN

TOMORROW THE PREDICTIVE DATA / COLLABORATION LOOP

“BLUE EQUITY” = STANDARD EQUITY WITH DIFFERENT CLASSES

CREATES

TRIGGERS CONTINGENT PAYERS FROM

DAF

GOVT

CORP

FDN

ALL MISSION ALLIGNED PERSONAL, GOVT, CSR & MRI

NEW ASSET CLASSES

REPLICABLE AND LIKE ANY OTHER CAPITAL MARKET -
The Building Blocks have been Built (See Slide 16 Videos) – Red script are P1800 Participants / Examples

**LEGAL FRAME:** – CREATION OF AN INTRA, INTER AND CROSS COUNTRY GLOBAL LEGAL FRAMEWORK ALLOWING DIFFERENT STAKEHOLDERS TO TAKE DIFFERENT ECONOMIC SOCIAL RETRUN WITH SOCIAL MISSION HARDWIRED. Mark Owens (US) – former head Exempt Unit IRS Bill Kelly- Ashoka, Chuck Muckenfuss – Gibson Dunn – Fmr Regulator; Tom Brunner - Leapfrog and Stephen Lloyd (UK)- Bates, Michael Webber - Fmr UK Charity Commissioner ,

**KNOWLEDGE MANAGEMENT:** - DUE DILLIGENCE AND CREATING INNOVATION FOCUSED NETWORKS . Artha Networks / IIC and Induct Software / Accenture

**METRICS:** – PRICED IN REAL TIME ON COMMUNITY FEEDBACK – Integrity Action (2); CAPTURING ALL THE ECONOMIC VALUE OF A SOCIAL INTERVENTION / ESTABLISHING A TOP DOWN BENCHMARK– Unicef /WSP/WHO (Guy Hutton); THE ECONOMICS OF CAPTURING THE VALUE OF EXTERNALITIES – TAX SUBSIDIZE OR TRADE (LIKE CARBON) – Professor Roques

MAKING THAT DATA COMPETITIVE AND COMPARATIVE AND INTEGRATING INTO SDGS – Social Progress Imperative (2) – Michael Green - WEF / Porter
• 1 – SOCIAL ENTREPRENEURSHIP & IMPACT INVESTMENT INNOVATION (Ashoka)

• 2 – COST STRUCTURE – PLUG & PLAY ALL IMPACT INVST TOOLS (Equity, debt, VC, SIBS, DIBs guarantees etc)

• 3 - COLLABORATION – MODULAR & BLENDED MODELS EASIER TO SCALE (OECD Blended Value, Finnish Mondial)

• 4 – PROBLEM BECOMES THE OPPORTUNITY MAKING THE SOCIAL EXTERNALITIES THE TRADEBALE OPORTUNITY IN A STANDARD EQUITY FORMAT . ( Blue Equity / SYN)

• 5 –ALLOWS SYSTEMIC USE OF RISK MANAGEMENT TOOLS, IE PARABOLIC INSURANCE, (World Bank, Water Facility, AMF)

• SYSTEMS: - THEN LINK FINANCIAL TOOLS TO THE GRANULAR VALUE THEY CREATE (Distributed Ledger Technology / Blockchain / CRM)

• >>ULTIMATELY DATA FLOWS CAPTURED LIKE ALL NEW ECONOMY MODELS DATA BECOMES PREDICTIVE (Google, FB)
COLLABORATIVE LEGAL FRAME – Intra & Inter Sectoral and Pan National – Multiple Economic / Social Returns

Marc Owens (Former Head IRS Exempt Unit) - https://goo.gl/9ky7Ai
Stephen Lloyd (Former Advisor to UK Govt) - https://goo.gl/3D1BXD

TOMORROW
THE PREDICTIVE
DATA / COLLABORATION LOOP

FINANCE

ENTREPRENEURS
(Social ) ie ASHOKA
https://goo.gl/Ym8yvA

COST STRUCTURE
Plug & Play Impact invst Solutions, ARTHA, AZZURE ETC

COLLABORATION
Blended Value (OECD)
Finish Mondial / A4 All

EXTERNALITIES
Blue (Social) Equity – the Economic value of Social Impact

INSURANCE
Paraboloic, Gaurantee Structures & Risk Management

On the same Replicable Modular Frame work
THE ULTIMATE OPPORTUNITY FOR SOCIETY - SOCIAL ISSUES BECOME TRADEABLE—THROUGH SOCIAL EQUITY (SOCIAL & FINANCIAL) CREATING MARKET DEMAND OUT OF SOCIAL GOOD

**FUNDERS**
- Different / Differing returns for each investor – Cross subsidization lies at the heart of Impact Investing
- Engages Corporate sector
- Foundations leverage their balance sheet at no more risk
- Potential tradeable equity facilitates secondary liquid market

**FINANCIAL SECTOR (ADVISES HYBRID)**
- Banks help structure and securitize the equity
- With Cross subsidization mechanism clear - banks can inject further financial innovation
- Corporate Engagement
- Asset Mangers and HNWs invest as per a “normal” capital market
- Opens Other New Capital Markets ie $2.3 trillion local capital market (South / South)

**SOCIAL SECTOR**
- Total transparency & impact independently verified
- Social Mission Hardwired (hence no need for singular metric)
- As Classes of Equity Different Players take different / differing Investment
- Uses / adapts existing legal codes / regulation (PRI & LLP)
- Creates Intra, Inter sectoral as well as cross country collaboration
- Social Sector now benefits from the move to scale and collaboration
“Nearly every problem has been solved by someone, somewhere. The challenge of the 21st century is to find out what works and scale it up.” – Bill Clinton