

Session Notes

Session: Policy Showcase 1: Policy Innovations to Maximise Impact

Time/Location: June 5, 2018; 2:30 pm-4:30 pm; Room 325

Session Rapporteur: Carrie Li

Moderator: Patsian Low (AVPN)

Provocateurs:

Glen Mehn, *Head of Development Innovation, Innovation skills (Nesta UK)*

Markus Dietrich, *Head of Policy and Private Sector, Director Asia (Inclusive Business Action Network)*

Policy Topics and Presenters:

1. "Social Outcome Fund Version 2.0: Catalysing Impact Investment"
Melissa Foo, VP (Agensi Inovasi Malaysia)
2. "Inclusive Business Accreditation Scheme"
Felicitas Agoncillo-Reyes, Assistant Secretary (Philippine Board of Investments)
3. "Leveraging Blockchain for Impactful Investment of Public Funds"
Jae-Hoon Kwak, CEO (Pan-Impact, Korea)

Welcome and Introduction

- *BMW Foundation:* With a strong focus on cultivating responsible leadership, BMW Foundation, along with the AVPN, dedicates to promote cross sector interaction and to work with industry experts on tackling today's social issues.
- *UNESCAP:* As one of the largest intergovernmental agencies in Asia Pacific, UNESCAP believes that it is crucial to work with the private sector on achieving the SDGs goals. The Asian Pacific governments should pay as much attention to the social and environmental issues as to sustain economic growth, and everyone in the society has responsibilities to keep their governments accountable.
- *British Council:* As a long-time partner of the AVPN, the British Council has been studying social entrepreneurship in Asia since 2009, and will continue their work in developing social and policy innovation strategies, along with both the AVPN and the UNESCAP.

Dr. Melissa Foo

- As the national innovation agency in Malaysia, Agensi Inovasi Malaysia (AIM) has two major mandates: 1) to align private investors' funding approach with policy makers' social development strategy, and 2) to ensure the benefits of wealth creation being shared among all social groups, especially by the underprivileged population.
- There are two main implementation approaches: the "While Society Approach" focuses on engaging the private sector and the local communities in solving social issues, and the "Social Finance Roadmap", which is based on the calculation of government's direct costs for resolving 40 high-priority social issues, aims to catalyze social funding through the Social Outcome Fund and the Social Impact Exchange.
- The Social Outcome Fund contains a pool of high impact programs-the social intervention programs that could potentially generate a 1.5 times cost-savings for the government. These programs are funded by private funders, so the funding risks will be borne by both the government and the private sector.
- The Social Impact Exchange, operated by the Malaysian government, serves as a platform for social financing and a market place of the goods and services for social enterprises. Since the Exchange will be providing track records for all the social organizations, it will also contribute to promote transparency and to build trust between the citizens and the government.

Ms. Felicitas Agoncillo-Reyes

- In order to achieve the poverty reduction goals, the Board of Investments adopts the Inclusive Business approach, which offers tax incentives to private companies in rewarding their efforts of reaching out to the poor and marginalized communities and lifting them out of poverty.
- Since 2013, the Philippines, partnering with other international development agencies including the ADP and UNDP, has been at the forefront for promoting inclusive business in the Asia Pacific region. The official IB policy, namely the Investment Priority Plan (IPP), was introduced in 2017.
- More businesses are in the pipeline to register with the Board of Investments as IB companies. This can be seen as an early-stage proof that business can be both economically and socially viable.

Mr. Jae-Hoon Kwak

- As an intermediary for social impact bonds, Pan-impact Korea has been using blockchain to overcome the main limitations of investing in social impact projects through traditional platforms.
- Pan-Impact's core technological advancement is the Smart Contract, which greatly simplifies the payout calculation and the steps of transferring social impact bonds among investors.

- The model of Pan-Impact shows that the blockchain technology can be used to promote positive social impact. The company hopes that the policy world will shift their attitude towards new technology: instead of completely ruling out the implementation of new technology, policy makers should try to gain a comprehensive understanding of them before imposing regulations.

Small group discussions- Korean Presentation tables

- Blockchain indeed possesses great potentials for promoting social development. However, full implementation of the technology may cause decentralization of governments' political power. The irony is that governments are the gatekeepers and judges for deciding if new technology should be implemented in a society. The conflict of interests is undeniable, and the applications of blockchain are concerned by governments is totally reasonable. In this context, the civil society has a key role of holding governments accountable.
- People tend to see cryptocurrency and blockchain as the same thing, but, in fact, cryptocurrency is a digital asset mainly used for investment, but blockchain is a form of technology which has much wider implications to the society. Cryptocurrency only represents certain technology, while blockchain, more or less, represents the idea of technology, so the understanding of the two should not be mixed.
- Whenever there is a new technology coming out, the risk-averse nature of human beings tends to push us to focus mostly on the negative sides of its application. AI is no exception. AI has proved that it can be used to address social issues, such as helping immigrants and refugees, but the general public still mainly concerns about how AI could potentially replace human for certain jobs. This requires governments and the policy makers to be the strong force of integrating new technology into our societies.

Provocateur comment and audience Q&A:

- **Mr. Markus Dietrich- IBAN**
 - We congratulate all the presenters on fulfilling the difficult duties of policy innovation and congratulate AVPN on initiating and facilitating dialogues between the private sector and the policy makers.
 - Inclusive business has been widely recognized and studied by the IBAN and other IGOs such as the OECD and the ADB.
- **Mr. Glen Mehn- NESTA**
 - Instead of channeling funds directly to the social organizations, governments choose to work with private sector because governments do not possess all the required knowledge to secure the successful outcomes of all social development projects.
 - By inviting private companies to bear the risks of social investment, governments can leverage their resources and are more willing to see the unpredictable outcomes as uncertainties rather than pure risks. This will enable governments to support more policy innovation.

- The UK government has been advocating many social innovation projects, such as the Social Incubator Fund and the regulatory sandboxes, but there is still much more knowledge and experience to be learnt from other countries.
- **Dr. Melissa Foo- AIM**
 - The benefits of adopting innovative approaches to fund social projects over funding CSR projects in a traditional way is that the government can acquire more data about which private funders are willing to be the first movers and to gain a better understanding about how the private companies conduct due diligence.
 - Furthermore, innovative funding models can mitigate governments' risk-averse mindset and form a better social impact investment ecosystem.

Welcome and Introduction

Pat:

Ok, so officially welcome again. You will see, up the slides right here, we have designated certain table numbers. Today's policy showcase will share with you three different policy initiatives. We have designated certain tables that will be particularly discussing each of these policy initiatives. If you take a look and be comfortable with the policy initiatives you will be discussing that would be great. In the meantime, may I quickly introduce the topics of today. What we will introduce today is that we want to share with you three interesting innovations that we think are great for discussion- that might be maximizing social impacts. And we will have these presentations in order and afterwards we will break out into groups and to have a discussion about what was presented.

These are our very esteemed speakers and provocateurs for today. We have Mr. Glen Dietrich and Markus Mehn. Glen is the Director of Asia and Policy from Inclusive Business Action Network and Markus is the head of Development and Innovation from NESTA. You have noticed that they are given with a very interesting title, provocateur, so they will be very provocative during the discussion later on. We have three presentations with us today- Assistant Secretary Felicitas Agoncillo-Reyes from Philippines, Mr. Jae-Joon Kwak from Pan-Impact Korea and he is over here, and Dr. Melissa Foo of the Agensi Inovasi, the national innovation agency of Malaysia.

We cannot have these sessions without the support of our good partners- I already talked about our groupings for today. I would love to turn the mic very briefly to our partners to just share a few words with you about the activities today and also their support for this program. I would start with introducing Dr. Frank Niederlander from the BMW Foundation to say a few words.

Dr. Frank Niederlander- BMW Foundation

Thank you very much. I was expected to bring up the mood of people after lunch but when I see the people here are quite energetic. I just feel like there is no need to do that. Welcome again from my side. [Applause] Just a few words before our session.

The main message I would love to give is about the philosophy of BMW Foundation, which is also our connection to you here in the room. Perhaps different from other foundations, BMW Foundation is not focusing on certain topics, certain projects or area, but on leadership. We strongly believe that responsible leadership is the force for changing things, because people doing it are much more into their respective topics and even more connected in the respective areas. That's what we expect to have you here. The footprint which is presented in this room is much larger than in our own foundation. That is why I would love to send a message to encourage you to think about being the responsible leader today and develop your mindset of how you will act in that way. It's not just the policy makers yourself, but also other stakeholders. Just for my own interests and also the interests of the audience, I would love to see who are policy makers here. Please raise your hand. Ok. Good start to have the discussion. Who are other stakeholders, such as foundations? Oh. Who is from the finance sector? Who are the capacity

builders? I see. Hopefully different stakeholders are mixed at different tables. That will be a good sign.

The second big target for us is that if you think about cross sector interaction, you need policy makers being an active party in both sides. First of all, creating environment and also on the implementation sides. I think that's the major focus of today's session of looking at those show cases. I hope you will have a great two-hour session here to enjoy it and to get the most out of it from the exchange of among different stakeholders. Thank you very much for being here.

Pat:

Thank you very much Frank. And representing cross sector engagement, we hope that is what this session will bring about. I would love to welcome our next partner, Mr. Hongjoo Hahm, Secretary for Programmes from UNESCAP, to maybe say a few words and welcome.

Mr. Hongjoo Hahm- UNESCAP

Thank you very much for being here, and we are very happy to cohost this event. I am from the United Nations. We are the inter-governmental cohort for Asia and the Pacific based in Bangkok. The SDG goals announced in 2015, along with Paris Climate Change Agreement, is something that really an aspirational and very difficult challenge to face. 2030 is basically around the corner, and we have a huge target to meet. You know for the 17 SDG goals and all the various indicators, ESCAP has studies on the indicators, there are 230 indicators, which we only have less than half of the data. We find that Asia Pacific countries have two interesting phenomena. Asia Pacific does extremely poor on governance, and the countries do extremely poor on environment. In the social sector, we have very distinct sub-regions doing well and other sub-regions doing poorly on the social indicators. The SDGs is all about the fact that economic growth itself is not sufficient. We have to balance it with social and environment issues and that's tough. Asia is known for being the economic engine of the world, and in that sense, Singapore is the testament to this great economic miracle. However, the social environment issue, not necessarily in Singapore, but throughout Asia Pacific is a key issue. I live in the world of governance. United Nations is an inter-governmental platform, so we have government of Thailand, sitting here. Also Indonesian government and governments from other countries, Pakistan, excuse me. And I am forgetting two more, I think. It's a nice environment for the private sector and impact investors to meet with policy makers and to have a dialogue. We would like to be with United Nations and to use our governmental platform invite AVPN members to public sector setting, to really get a bigger dialogue going on here. We would like to try to do that in the near future.

Working with the private sector is really the key to meet the SDGs. This cannot be done by the government alone, even in countries like China, Japan or Korean. It's certainly not enough to meet the 3.6 trillion dollars that is needed on this scale. The fact that all of you, the impact investors and social enterprises are working directly with the people and show actual results is much more stimulating. Dr. Niederlander mentioned something about the energy here. The AVPN really has the strong energy and a vibe to facilitate dialogues. Today we are going to have a couple of case studies, and group discussions. I am very much looking forward to the outcomes of the discussions, and very much looking forward to the private sectors to continue to push

governments to move. That is the role of civil society; that is the role of all of you, and that is the role of the public to keep the government accountable, and to keep pushing them in the direction that we all collectively desire. The push to a better social environment, I think, is essential. I think almost all of the government officials are very much aware of the economic growth. They are getting much better on pushing economic growth, but they need to do a lot more on the social environmental issues. So we invite all of you, together with the BMW Foundation, together with the British Council, our very good friends, together of course with AVPN. Did I miss anyone? Oh, also Credit Suisse, I am sorry. I apologize. The four of us are the co-sponsors of the policy dialogue and please give us good ideas along with the discussions. We are very looking forward to inviting all of you to Bangkok hopefully not in the too distant future. Thank you very much.

[Applause]

Pat:

Thank you very much Mr. Hahm. In case you haven't downloaded the conference app, we would to let you know that today is the only part 1 of the showcase and tomorrow is the part 2 of the showcase. We have many partners that are working with us on these policy activities, so some of them will be here tomorrow and some of them are here today. The other partner who will speaking with you here today is the British Council, Mr. Tristan Ace, to share with us.

Mr. Tristan Ace- the British Council

Welcome, welcome once again. I want to mention all the partners, like what you all heard before, that we are equally delighted to work with the AVPN in delivery of the Asia Policy Forum. Again, I am very excited about the format this year, because in the past three years, we kept Asia Policy Forum as a separate event to the conference. I think it's very exciting to see how we can engage all the policy makers with the main conference. It's great to see the opportunities for connections and learning that we have by integrating the policy labs this year.

For those of you who don't know what the British Council are. We are the UK government cultural nations' organization. We have been working in the field of social entrepreneurship now since about 2009 in east and south Asia. As I said, we have been working with the AVPN on the policy agenda for about 5 years. And we signed a partnership with ESCAP, I think it was about two or two and half years ago, when we have been working on the policy dialogues such as this one. We have done work on research, and you can see some of the research being displayed outside at the UNESCAP booth. We recently published one of the reports on Pakistan, looking at the role of women in social entrepreneurship and we have reports on Philippines on social enterprise. We got some coming up so keep your eyes on Indonesia and Sri Lanka, which should be coming up in the next few months as well. I think some of the things that I am mostly excited about to the moment in this field of work we are doing with Pakistan to support and collaborate on the development the center of social entrepreneurship and I am very happy to have Mr. Shoaib Siddiqui here with us from Pakistan, who has been a very key player here in supporting that initiative with the Ministry of National Planning in Pakistan.

Another issue we have been working on is in Myanmar to develop a strategy around social entrepreneurship. I think the things that I want to really stress is that through our partnership with

AVPN and ESCAP, we are here to really work government across the nations to develop innovations and policies, and I am looking forward to hearing the great examples that we will hear in the next 90 minutes or so. So I think I will stop there and just to say that we are very looking forward to the discussions in the next hour and half, and do talk to us if we can be helpful in any way.

Malaysia Presentation

[Applause]

Pat:

Thank you very much Tristan. Without further ado, let me just quickly share with you some context with AVPN work in policy as well. In case I haven't got chance to say hello before, I am Patsian, and I am the director for policy at AVPN. AVPN's policy engagement program really is looking to bring policy makers and governments into the social investment ecosystem in a constructive manner that also engages the other members on our network. We have a booth outside, where you can learn more about the work we do, but effectively, we have a framework that guides how we would like to bring the government into this conversation. We look at policy being able to impact social economy in many different ways beyond the traditional legislative framework that policy will typically drive. And we have several partners that work with us, including the BMW Foundation, the British Council and Credit Suisse, ESCAP, and also this year very exciting that we have another partner with us, the Inclusive Business Action Network, where Markus here represents. You will hear more from Markus later on this afternoon.

So let's just quickly talk about the format today. You see a lot of materials on you table, and you are seated in groups for a reason. Every group is assigned to provide some feedbacks to one of the presenters today. If you are unsure about which one, there are some questions and sheets on the tables that will guide you about the presentation that you are assigned to comment on. You have been given a form, as well as going online, you can also use the digital form, where you can note your feedback to each presenter. You can give your feedback anytime, during the presentation or afterwards. And after all the three presentations are finished, we will have a short Q&A segment with the audience and then we will go into our group discussions.

It will be a long but interactive session, so we hope we will get a lot of energy from you to keep providing feedback, because our presenters have spent long time preparing what they will be sharing today. Let's also give them some thoughts about what we think across different sectors about the policy initiatives.

Without further ado, let me start with the first one. We are going to introduce now, Dr. Melissa Foo, the Vice President for Social Innovation Fensi Inovasi Malaysia. She will talk about "Social Outcome Fund Vision 2.0: Catalysing Impact Investment" in Malaysia. Melissa please.

[Applause]

Melissa Foo- Agensi Inovasi Malaysia (AIM)

Good afternoon everyone. I am really glad to see so many policy makers, and foundations in the room today, as well as the capacity builders. I am Melissa, and I work with the national innovation agency in Malaysia. Why we are so excited to see so many funders here, is because whenever we talk about social innovation, a lot of people think about its about work of social enterprises and the work on the grass-root level. But in Malaysia, when we look at social innovations, we realize that there are a lot of players are policy makers and funders in the ecosystem and sometimes the balance of power between these players is not equal. So as much as we try to tell our social entrepreneurs to change or innovate in the ways they deliver the social services, if the funders are not thinking in the same ways and if the funders are not funding in the same ways, then the change won't happen. As much policy as we make, if the foundations and the funders are not giving money in that strategical in line with how we would like to see how the social sector develop, then the change will be slow to come.

As the national innovation agency in Malaysia, we were set up in 2010. We have been working on a broad mandate and creating wealth through innovation. Then how do we that? How do we create wealth? There are actually six focus areas under the national innovation agency. We do that through such as education, we do that with academia and R&D. We work with industry on commercialization, and there is one unit that they have to reach is social innovation. All mandate is that as we create wealth through innovation, we have to make sure that no one is left behind. Even if our broad innovation agency creates wealth through the entire nation, it is too easy to exclude pockets of population, such as the disabled, the rural community and so on, to enjoy the benefits of this wealth creation. That's what we do. We focus on the innovation of social sector in making sure that no one is left behind.

How do we do that? We have two approaches- one of them we call "Whole Society Approach". In some countries, it's very much a welfare driven (approach). Governments are seen to be the main driver behind solving the social issues. Every time something happened, people will be watching what the government is doing. In Malaysia, we try to take a more balance approach- it's not just the government who would be providing or creating the solutions of social issues. These solutions have to come with the involvement of the private sector and also created by the community themselves. We want the solutions to be created from the bottom-up as well as the top-down. We want the communities to be empowered for their own social issues and problems that they face. That's the "Whole Society Approach".

The second one is actually the "Social Finance Roadmap". Under the AIM, what we realize is that all the exchange will not be meaningful if we cannot find more ways to allocate or channel resources into the social sector. In Malaysia, and I am sure in lots of other countries, we start with most of the funding in social sector is donation and grant-base, which is the primary source of funding. However, what we realize is that if we purely rely on traditional models to deliver finance to the social sector, we are not leveraging on all the new financial models that are already out there. In many different ways, we can channel funding to solve social problems. So here is a basic "Social Finance Roadmap". The "Social Finance Roadmap" was setup in 2014. What we realize is that we need to put the building blocks in place, it is easy to say that we want impact investment, but how? Where would we get the investment? What would we attract the impact investment in Malaysia? In 2015 and 2016, what we did is that we commissioned a study- where we look at a top 40 high priority social issues for the government in Malaysia. These covered a

very broad range. We looked at the cost of these social issues. Using the direct cost to government as the basis for two initiatives, which were launched last year- the Social Outcome Fund (SOF) and the Social Impact Exchange (SIE).

Let's talk a little bit about the cost. As a social governmental agency, what we realize is we have data- we have data about how much it costs for a government agency to be providing welfare and services, providing legal assistance and policy report for any of the social issues. What we realize is that in the 40 high-priority social issues, they can be broken down into 7 categories: abuse, crime, employment, vice, obstacles to education and health care, and quality of living conditions. What we then realize is that for each issue we face, what the government directly spending is. We are not talking about how much the long-term cost is, we are actually talking about the actual government money being spent on any of these programs. So as an example, let's choose domestic violence. We know that in every incident of domestic violence in Malaysia, the government currently spends between 5k to 6k, so that's about 15 hundred US dollars, per incident per year. This is quite a low number. I am sure the actual impact is much higher. These are actually the numbers that are used to be approved by the ministries- it was in the police report and all that. It was part of the ministry of healthcare for any health assistance that the victim of domestic violence requires. What we did is that we aggregated these costs and with that number we can then calculate how much impact prevention could be potentially. For example, if a social organization could demonstrate to reduce the number of incidents of domestic violence cases by a 100 cases a year, you would then be saving the government from 150k USD a year. So that puts a financial value to social prevention, and that's a number that the government can get behind, because it's the direct cost to all these initiatives that the social intervention programs run by these social organizations.

What do we do with that number? We decided to use the "Whole Society Approach" to create a tri-party agreement. For those of you from the financial background, it is actually very similar in terms of outcomes and payouts to social impact bond. In this case, we start with the private funder, so for programs that we have selected and deemed as high impact, what we mean by high impact is that they would generate 1.5 times cost-savings to the government. Using the previous example of the domestic violence. If your program costs 100k and you could show that you could reduce certain number of cases and save the government at least 150k, then your program would be accepted. Then we will review and decide if you will be part of the social outcome fund. In our pilot stage, we received 35 applications from social organizations, among which we select the top 8. Once we selected the top 8 programs, we then invite the private funders to fund the programs at the start. After a year, since these are year on year numbers, if the program does achieve at 1.5 times cost-savings for the government, then the private funders will reinvest. What this means is that we have created an ecosystem that the private funders come in and bear the risks of that these programs may not be meeting the outcomes, which saves the government money by allowing them to fund programs which potentially have huge cost-savings to the government. In some way, we are trying to attract a new pool of capital, which is the impact funders. We are not calling them investors yet in a sense, because there is no return on investment, but in a way, we want to create that ecosystem where the funders are willing to fund programs potentially receive payouts from the government base on the success of these programs.

Just a quick development, the Social Outcome Fund is on-going. Every time I talked about this, people come to me and ask how they can be part of the fund and how they can get their projects to be part of that? So that's why I put these questions to you, because we are actually doing a social outcome fund version 2. All of these funding models will then be hosting on what we called Social Impact Exchange. The Social Impact Exchange was launched in the end of last year. It was actually designed to really create a platform for social financing in Malaysia, by hosting Social Outcome Fund, which will be later listed on the exchange. We will also list high impact social organizations, so we have measurement of impact. One of them we are using the cost-saving for the government as a measure, but there are other measurements of impact. We will then need to create transparency and trust and tracking within certain platform, where the public is allowed to follow and to recognize high impact social programs and to follow and track progress base on certain measures. The information will not only be available to funders, but to the general public. Why? Because we notice that the reporting, lots of them, is confined to who funds the program, and the trust level in the social sector tends to be a little low. We look at how the funding is being directed into public and traditional service exchanges, there is less of that, because these a quarter reporting cycle and there is lots of checks and balances that we hope to institute using this platform that will be built by trust in the social sector.

That's what we have at the time. Another component of our Social Impact Exchange is that we have also supported social enterprises in a way of creating a market place for the goods and services for social enterprises. That's actually being developed by one of our partners in the ecosystem, MaGIC, they are here today as well, another agency under the Ministry of Finance in Malaysia. That's all.

[Applause]

Pat:

Thank you very much. We can take one question from the audience and then we will move on to the next presenter. Does anyone want to ask a question right now?

Audience:

Social Impact Exchange is organized and run by the government or is it just another non-profit organization approved by the government?

Melissa Foo- Agensi Inovasi Malaysia (AIM)

The Social Impact Exchange was launched in December last year and right now is fully under the government. However, we are definitely open to, it's still the initial stage where we are developing two separate tracks. The first track is what we call Pay For Impact. It's simply a measuring way for foundations and funders to donate and to receive a measured value of impact in return. The impact will later be tracked and be used to build a track record for all the social organizations on a public platform. Right now, this is all fully under the government management. However, we got Pay For Impact and Buy For Impact, then we move into entities

such as Invest For Impact. We believe that won't be solely a government initiative. It will be a larger conversation about the Social Impact Exchange at that stage.

Pat:

Thank you very much Melissa. Table 4.5.6 and 7, you are the ones assigned to the Malaysia presenter. Please provide some thoughts base on what Melissa has presented. Melissa, I think you have three questions that you would like to share with the audience. Thank you again!

We also gave our presenters a task- thinking three questions that you particularly want to ask the audience. There are the three questions Melissa had posted to all of you. The first one will be: *Would focusing on one issue area make it easier to tap into larger funds for SOF?* As Melissa introduced, the fund does address a broad range of social issues. *If so, what would be an ideal issue area to focus on? And lastly, how can this funding model be applied in your own organisations or government? Can this model be used in the private sector? Which organisations would play the roles?* Please have these questions in the back of your mind, while we introduce our next presenter.

Philippines Presentation

Pat:

May I ask the audience to welcome our next presenter, assistant secretary Reyes from the Investments Promotion Division at the Department of Trade and Industry in the Philippines. I hope that I got your title correct and thank you so much for joining us today.

Felicitas Agoncillo Reyes- Department of Trade and Industry, Philippines

Good afternoon everyone. My name is Felicitas Agoncillo Reyes. I am with Philippines board of investments. The board of investments is the leading investment promotion agency of the Philippines. We create investment priority plan that is given incentives by the Philippines government, if you follow the plan. What is new in the BOI is that we have included the Inclusive Business (IB) in the Philippines, so that the big companies will be enjoying tax incentives that will be able to help and reach out the poor and the marginalized through business innovation and train them so they could be lifted out of the poverty. In most of the societies, we always talk about the missing middle. In our country alone, we have about 21 percent (population) under the poverty line. Under the current president, the target is to reduce poverty (rate) to 14 percent by 2022. Our assignment is to get 6 million people out of poverty. From the day one, the President Rodrigo Duterte has made poverty reduction as a priority in the agenda. We have been doing everything we could to follow the agenda. In order to achieve the goal, the Board of Investments has come up with a pro-business approach, which is called Inclusive Business. We have championed the Inclusive Business by asking companies to come up with an IB plan, when they are registered with us. We started with the Agribusiness and Tourism, because these are the most job-rich area.

In the G20 framework, IB is defined as “a private sector approach to providing goods, services and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the pyramid by making them part of the value chain of companies’ core business as suppliers, distributors, retailers or customers”. In other words, IB is doing business with and for the poor. Let me share with you an existing inclusive business model in the Philippines. A multinational company sources 30 percent of the local global coffee beans. The Filipinos do not drink coffee so much, and 100 percent of our coffee was imported. What we did is that we worked with the multi-national companies, and right now they are importing 30 percent of the coffee beans from the local farmers for their instant coffee products. Now they engage 30,000 local farmers in the coffee plant. The company also has stations and provides local farmers with high-quality equipment, training and information on market prices. Now in tourism, as an archipelago, we found that hotels are 90 percent of their employees from the local community. These five star hotels, they used to import all their food and many other things abroad. We were able to encourage them to source at least 25 percent of their food and services from the local communities. The local communities now are engaged as suppliers with raw materials and to better enhance the productivity of their employees, the company offers training on basic customer service, financial sustainability and environmental sustainability.

What does it take for a government like us to work on a new initiative? Since 2013, the Philippines has been at the forefront for promoting inclusive business, and we partnered with the

Asian Development Bank for technical assistance. The initiative includes a market scoping study of IB in the Philippines and groundwork for IB criteria and political engagement for three pilot projects: agribusiness, housing and tourism. In 2015, the Philippines started to promote IB regionally. We hosted the APEC that year. Through the Board of Investments, we introduced the IB in various forums at the APEC including the investment experts group, women and economy group and it was also discussed in the high-level dialogue. In the same year, the BOI encouraged IB investment through the Investment Priority Plan 2014-2016, meaning it was already in the book that could offer incentives which is Income Tax Holiday of 4 -6 years. Then the Philippines was also recognized by the G20. The Philippines IB initiative was highlighted in G20 China and G20 Germany as the first country and first government to make inclusive business as a government policy. It established that the government plays a key role in the IB models and the private sector. In 2016, the government began working on mainstreaming IB policies. BOI continued to conduct inter-government consultations on IB policy integration, BOI practices and also to support public and private awareness of IB models. BOI conducted a baseline study on IB in partnership with UNDP. In 2017, BOI pushed the policy and encouraged more businesses to include IB in the value chain. That's when the BOI introduced the IB 2017-2019 Investment Priorities plan, finally. That's when you can get incentives to secure your part of the plan. Under the Philippines chairmanship of ASEAN, BOI hosted an inclusive business summit and awarded six ASEAN IB companies- three big and three small companies. The ASEAN welcomed the adoption of ASEAN IB framework. This year, the BOI works on the rolling out of the policy by gathering investment registrations, leveraging partnerships to successfully monitor IB.

The policy is called the Investments Priorities Plan (IPP), which is a three-year enrolling plan and identifies economic activities in various industries that are eligible for tax incentives. In 2017-2019, IPP features another incentive regime, focus on innovation and inclusive rule. It includes economic activities such as inclusive business which has stronger contribution of creating jobs and developing micro to small industries. Under the current IPP, the companies who engage IB are eligible for 5 years fiscal and non-fiscal incentives. It reminds me a little bit of Pay-For Success. Because when they are applying for IB, we always ask them for the IB plan, giving us a baseline what they are today and tell us what they are going to do in the next three years. If they fulfill the promise in the next three years, then they are given an additional 1 year Income Tax Holiday. Under the current IPP, companies in IB are eligible for 5 years non-fiscal incentives. These are companies in agribusiness and tourism, that include low income communities at the heart of the business operations.

The IB policy has two parameters: Reach and Depth & Innovation. Inclusive business models are not found, but they are created. When companies say, am I an IB? We tell them to take a look at their models and to be creative. The critical point is Reach and Depth, focuses on companies' engagement of low-income communities and social impact. Companies applying for IB incentives are expected to reach low-income communities half of employees and staff members and all raw material suppliers. Income increase of the low-income individuals is monitored to prove that the businesses are providing decent jobs. The policy is designed to stimulate the businesses to go beyond business of usual and to encourage innovation, because inclusive business is innovation. Through kind of assistance for better capacity of the poor and link them to the market. This parameter can also serve as a to create inclusive business models in this way. Provision of the IPP, not only as a of evaluation, but also as benchmark for the companies,

starting to create IB models. This can encourage the business to disrupt the traditional business models and replace them with more scalable and sustainable models.

Introducing IB model also comes with challenges. Being a relatively new approach in doing business, IB has to be profitable and at the same time help the local communities to change the mindset of the stakeholders. We have been working with the market leaders and the private sector, Philippines as the first country to have an inclusive business policy, the BOI identify policy and advocacy work. Another challenge is our ongoing tax reform because of dealing with the uncertainties in our PH tax regime. I was already told that they will include inclusive business model to make it better. Also government agencies have to work together to harmonize IB-related initiatives across different agencies.

The ultimate goal is to lift people out of poverty. The poverty reduction is the goal. As mentioned earlier, the poverty reduction goal is to reduce people in poverty from 21.6 percent to 14 percent by 2022, thereby lifting 6 million people out of poverty. Contributing factor for this ultimate goal is the companies' engagement in IB and the partnerships for support the IB models. Consider the BOI's mandate of generating investments, economic growth and creating sustainable jobs, our success measure is to increase the number of registered projects with the Board of Investments. More companies leveraging on IB is a proof that business can be both economically and socially viable. Today, we have one right now and we have five in the pipeline at the register for more IB models in 2018. It's easy we say that we do IB registration, but we have to talk to the department of finance because we do have judiciary responsibility to introduce fiscal incentives. Another sign of success is that partnerships formed for IB.

Next are my questions, table 1, 2 and 3 will be answering the questions. I will end my presentation here and thank you for the opportunity to share the experience. We strongly believe the IB model and we have seen its impact on people's lives and we looking forward to working more on the inclusive business approach.

[Applause]

Pat:

Thank you very much! Thank you for your determination and passion to finish this presentation. Can we take one question for Sectary Reyes on inclusive business scheme and very interesting tax and fiscal policy to support that? There is a lot to think about because the scheme is very comprehensive, so I am sure there will be a lot of opportunities to talk about it among the three tables. Table 1,2,3 you are assigned for this presentation. The questions are 1) *Who is in the best position to finance Inclusive Business models?* 2) *What are the best financial instruments to fund Inclusive Business models? Does it vary per size of model?* We talked a lot about how to stimulate and now we need to think about how to fund. 3) *What other government mechanisms can accelerate the adoption of Inclusive Business models?* There have been several sessions already at the AVPN conference talk about how can we finance the growth of small medium businesses that can bring about sustainable development. These are the questions that are very much relate to that. Thank you again for your presentation.

Korea Presentation

Pat:

We are moving to the next one. Table 7,8 and 9 are assigned for the next presenter, Mr. Jae-Hoon Kwak, the CEO of Pan-Impact Korea. What he will be presenting is very exciting, it's about leveraging blockchain for impactful investments in South Korea. Please give a warm applause for Mr. Kwak to present.

[Applause]

Mr. Jae-Hoon Kwak- Pan-Impact, Korea

Hello everyone, I am Jae-Hoon Kwak from Pan-Impact Korean. Now I am going to show you the case that we combine blockchain with social impact bond. I have to explain to you first about SIB and blockchain and smart contract in 10 minutes. It is going to be hard for me, so let's start now.

Pan-Impact is intermediary of social impact bond in Korea. Social Impact Bond is that private investors invest capital needed for the public projects, and government pays back financial return if social outcomes are achieved. In addition to this, the government can focus on the actual performance because the result should be measured only by success or not. Since 2010, there has been more than 100 cases in demand by SIB in the world. Although SIB is one of the most innovative impact investing tools, it has some limitations. Firstly, SIB has the name of a bond, but it is not a real "bond". It is just an investment contract, and it is not tradable in the market, so investors for the SIB are hard to liquidate their money. As a result, the risk of investment is increased. Secondly, the payouts structure for SIB is normally very complicated, so it is very complicated to calculate the payouts to the investors according to the conditions SIB projects have. Because of these limitations, I made a breakthrough using new technology blockchain, and it's called smart contract.

Blockchain is the technology that stores data in distributed networks. It has no need of any centralised server as every participant in the network shares the same data. It is tamper-proof unless someone controls the majority of the network participants, which is very hard. Therefore, it is secure and creates a system without central server. Smart contract is a program installed in blockchain, which enables the implementation of particular functions. With smart contract, you can run a program without any arbitrator or main server. It increases credibility and accuracy. So I developed a SIB smart contract, that is called Smart SIB. Smart SIB was made to solve the limitations of the traditional SIB and to improve intermediary administration process. Before I explain to you about this, I would love to show you some screenshots of the smart contracts. Could you please change to the pictures?

To make a Smart SIB, I programmed a smart contract algorithm and deployed it on the blockchain. If I enter the address of my smart contract, I can see the title of my smart contract over there. So there are several ways to access to the blockchain platform, but now I am showing you using one of the programs, and you can download it. If I click the title, you can see the smart contract here. There are other ways to use this. If you click here, you can see all the functions.

Now, I am going to explain to you two important functions. First one is transfer. With this function, investors can transfer their shares to other investors easily. Next one please. This picture is also the transfer screen. Initially, I had 110,000 dividends and if I send them to the receiver, I can see how much money I have here. Investors can check their balances any time. If you download the mobile app, we can send to the QR code easily. You don't need to understand all these Korean characters. These are the part of original SIB contract in Korea. But as you see, it has a lot of conditional calculations and the payout calculation is very complicated. With the Smart SIB, if I enter only three numbers here, then it automatically calculates income for the investors here. So the investors can see their final incomes pretty conveniently.

Pan-Impact digitized and securitized the original investment contracts. The right shareholders of investment are segmentized into transferrable units and initially sent to the original investors of the projects. Investors can check their balances and transfer to other investors safely. As for the project ends, the income per share will precisely and quickly calculated and investors can check their final income conveniently. Smart SIB is a good case that potentially using technology applied to social innovation. The main theme of my presentation is not only SIB or blockchain. The more important message is accepting new ideas from the field of technology and combine them with our field of interests. In our case, new technology solved the limitations of traditional impact investing tools and improved stakeholders' benefits and intermediation method of impact investing. In addition, it sends a signal to the impact investing market as the implementations can extend the opportunity for the market. Also for the policy makers, it shows how technology can improve our society. Some countries strictly regulate the blockchain market while other countries promote the technology. For example, the Korean government have another legislator that have ruled out the blockchain industry and some Korean companies left for other countries. Pan-Impact is also considered as a foreign entity. Policy makers should understand the concept of new technology exactly and judge the outcomes of new technology and properly support or regulate the technology. If we don't turn our faces away from the new technology and show the good examples of its implementation, then we can show positive impact of them in our society. Thank you for listening to my presentation.

[Applause]

Pat:

Thank you so much Mr. Kwak. When we think about social impact bonds or pay for success models themselves, those are already innovative models, now you add on a layer of blockchain on top of that. I am sure that will raise lots of interesting questions. These are the three questions that Pan-Impact Korea wants to pose to you, particularly to table 8, 9, 10. *Every country has different views and policies for blockchain industry. From a policy perspective, what position can a government take for blockchain and cryptocurrency, and what is proper approach toward them?* I encourage to look at these question in the context of financing for social impact. *Secondly, are there any other possibility that new technology considered to be the 4th Industrial Revolution(e.g. artificial intelligence, big data, virtual reality, drones, etc.) are used to solve social problems? If so, please suggest any idea of its application. Thirdly, Blockchain seems to have anarchistic background philosophy. Do you think government can coexist with blockchain and benefit from it? What is the virtue (or vice) of blockchain for the governments?* Pretty heavy

questions and I am sure you have read a lot of articles regarding these topics in your local newspapers.

Q & A Session

Pat:

So let's leave your thoughts to your groups. Thank you very much for listening to our presentations. Let me share with what's coming next. You have all been assigned to each of the presenters. There are pieces of papers on your table that will guide your discussions at your groups and interaction for you to know each other. Our presenters will be floating to your respective tables, and also you can ask them more direct questions at the time. These are the kind of activities we would like you to do. Base on the presentations you are assigned, we would like for you to discuss the questions that were raised. If you can write down, please write down some of your thoughts because our presenters would love to hear from you. And if you don't think your handwriting is very eligible, please try our online form, its showing up here. Subsequently, we would ask you to share what you have discussed and after a while and we will have some feedbacks from our provocateurs as well.

Before we begin, may I ask, we have an opportunity here to have three very diverse but also innovative ways of creating social impact in policy to be discussed today. If you have questions to ask, now is a good time. To refresh your memory again, the first presentation was Dr. Melissa Foo, who talked about social outcome fund in Malaysia. The second presentation was from Assistant Secretary Reyes about inclusive business in return for credit scheme in the Philippines. And the third presentation was from Mr. Kwak about blockchain and social impact bonds. Three presenters are ready to answer questions now. If you got any questions you would like to ask, we will come to you with the microphone. Anyone? Yes.

Q 1: Leonardo Teguh Sambodo- National Planning Board at Indonesia

Thank you and my question is for Dr. Melissa Foo. I would like to have your opinion about how the government of Malaysia treats the regulation to accommodate this new development of social innovation fund? Because in Indonesia, we have very rigid administrative regulation and how the government can cope with that and is willing to sacrifice some authority in implementing some programs and let the business sector and community to take lead in and help the government actually in solving the social issues. My name is Leonardo from Indonesia National Planning Board.

Melissa Foo:

Thank you, Leo. I am just going call you Leo and we met yesterday. The question related to how we got the government to explore these ways. First of all, I think is that, under a national innovation agency, the mandate of the agency is always to look at pilot models and to test them out. Just to share with you that the size of social outcome fund is only 3 million Malaysia Ringgit, which is under a million US dollars. The size of the fund is very small. The way we work is quite slow, so government mechanism tends to be quite rigid, they usually require proof of concept. In so ways, the agency is a proof of concept kind of agency, where successful

initiatives will then be spun off and scaled and maybe some of the models used previously, which may not have such attraction, which will then be used for gathering data and maybe not be grown in scale. So it was very small. One of the key things that we have to do in the small fund is that we have to address all the sectors. If you look at 8 projects we have selected, obviously 1 million will be best deployed if we focus on the certain sector like education. But our goal at the fund is to gain proof of concept and to show the government and other agencies, so we then have to select 8 agencies representing education, health care, abuse and quality of living. So it's a very complicated fund to manage, for just the 1 million USD. But we then tend to go to the ministries, let's say the ministry of healthcare and they say this is our proof of concept and how the social outcome fund and pay for success model has worked in the healthcare setting. Perhaps, we then say to the health ministry that you are already spending 100 million or 200 million on such as these. Could you then come out with 10 or 20 million to be used in these models and pay for success model. How we have done it is that we actually started from very small and we tested out certain models in very hands-on and quite customized ways. If then we can pull out what the key models or frameworks that we can then replicate and grow then approach other ministries and then ask them would you consider to use these financial models in your next budget.

Pat:

Thank you, Melissa. We got more questions here.

Q 2: NFN Helmin- Japfa Foundation, Indonesia

Thank you. My name is Helmin from Japfa Foundation Indonesia. My question is to both the Malaysia and Philippine cases. The consequences of these two models are that transferring the implementations of private sector and social purpose organizations. These also have consequences on the bureaucratic reform- less and less implementation on the bureaucratic side, so there might be a downsizing effect for the government. How do you deal with this?

Felicitas Agoncillo Reyes:

I don't know if I understand your question well. But because of the inclusive business, we actually added more people at the Board of Investments. We created an inclusive business team of 3 or 4. We have a program director, someone in policy, one in the finance space, and the other one is communication. When they are applying for inclusive business, they have to present their plans and they have to show us their financial projection and the baseline and their plan for the next three years. If you achieve the plan, you get one year extra income tax holiday, which is 30 percent corporate income tax. With that kind of inducement, we encourage company to help the community. The company has to add the part to help the locals.

NFN Helmin:

What I meant is that traditionally government does the program in the field. Now you are offering this to the business sector, which means the task of the field implementation now is moving to the private sector. So bureaucracy needs to be downsizing, because there is less work

to be done.

Felicitas Agoncillo Reyes:

Not necessarily. Because we have the tax incentives in all provinces and so we actually provincial directors, even the local government units are so excited, mayors, governors. Now because of the inclusive business, 10 municipalities are working together. In fact, our regional offices and main office are very busy now, because we have to go to all the provinces, we have to talk to the farmers, and we even have to bring translators, because they speak different languages. Each tribe has different culture and language and they need to partner with local university. There is no sign of downsizing.

Pat:

Thank you for answering the question, which is really about implementation. Which implication of the implementation of policy. Very quick comment moving to answering other questions, because you would have opportunities to talk about at your tables.

Another Philippines Delegate:

I think the issue of inclusive business is not really a role just for the government. It is also a role of the business sector, because it's engaging the community to their core business. They are inviting the business to hire the people from the communities. The model is designed and meant to have the cost-sharing between the government and the private sector. We have been talking about that the inclusive business is very expensive for the companies, so the tax incentives are the compensation for the companies of their action for cost sharing. That's why that we are giving them a station period.

Pat:

Thank you. We are talking two questions.

Q 3: Wu- Taiwan Delegate

Thank you. I have a question for Mr. Kwak. I think he just brought a very brilliant idea that really solve the problems of liquidity and calculation. Unlike other financial bonds, when they mature, it's conditional payback. But the social impact bond is not conditional, where you have to meet the goals. Maybe this is too technical, so how do you calculate? We don't know when the bond is mature, the outcomes will be met or not. Thank you.

Q 4: Vera Zlidar- USAID

My name is Vera Zlidar, and I work for the US Agency for International Development. I was interested in knowing what issue you use the social bond for? Was it for climate change, healthcare? And also how do you market it to the investors? How did you get out there to get people interested so they can buy them?

Q 5: Unidentified audience

Just related to other questions as well. I know in lots of the cities in the Philippines, they have already started to do the blockchain integration. What are the strategies you have to encourage the policy makers to learn about this technology, which is based on trust and transparency? Because right now, I think we are at the 2 percent usage of the blockchain, which is the next big thing that will really revolutionize the government transparency. Maybe just one or two tips about how we can engage the policy makers.

Jae-Hoon Kwak:

First of all, regarding how to calculate the interests in the smart contract. Smart contract is actually a program, so you can make algorithm for each smart contract. For each SIB, you can make algorithm for each one. I showed you some of the algorithm I made, which is part of the calculation for the SIB project. You can make any algorithm into the smart contract.

The second question is that for children's education program in Seoul. They are BIF children, boarder-line intellectual functioning children. We know that IQ over 85 is just normal, under 70 is called mentally retarded and between them is called BIF children. They have no support from the government because they are not regarded as mentally retarded. If you don't provide help to them, they will grow into the mentally retarded children. We provide services to them to prevent this from happening. The target population is only 100 and the project is three years. I think my explanation is not enough so there is brochure outside you can learn more about it.

Pat:

The study is also available at the AVPN website. One last question, Mr. Kwak.

Jae-Hoon Kwak:

When I made the smart contract, the government was not supportive at all. The smart IB is between the private investors and the private intermediary. As I told you, the Korean government has ruled out the blockchain technology and it is illegal in Korea if we collect fund with cryptocurrency. What I meant that I made a breakthrough is that I did not collect digital currency from the private sector, what I did is that I just segmented original contract into digital shares and sent them to the initial investors. The initial investors can transfer those shares to other investors if they want to, they can sell the shares. When the project ends, I can send the final payouts to the final owners. I made a promise with the initial investors that I will send payouts to the final investors only.

Pat:

In the interest time, maybe Mr. Kwak can go to the table and answer the question directly, if that's OK with you. Ok great. Now we are ready to go to the last section, group discussion. Feel free to write down the thoughts or on our online forms. Please begin and thank you.

[Group Discussion]

Provocateur Comment and Audience Response

Pat:

Ok, we are going to turn the microphones to our provocateurs. If I can introduce them again, Mr. Markus Dietrich from Inclusive Business Action Network and Mr. Glen Mehn from NESTA. One from the inclusive business perspective and the other one from innovation perspective. They will provide comments and they will also be asking you questions as well.

Markus Dietrich- IBAN

Thank you so much. I hate breaking up interesting discussions but that's the task for us. Just to provoke a little bit. We ask a lot of the questions at the beginning to the participants here, the policy makers and other stakeholders, financial foundations. Then we heard the UN speak and the private sector as we needed. But how many of us are actually from the private sector here. Private sector? One, two and a handful. That's fantastic. This is exactly the discussion we need to have. It's no longer that we talk about each other, but to actually to take with each other. I want to congratulate the AVPN to get this going.

What we have been thinking about is that instead of provoking you, we decided to congratulate you. It's a much nicer finish. But seriously, you are innovating policy, which is extremely difficult to do. I was just listening in to the conversations here. When Melissa said that if you are using the private sector to validate your approach, validation means that the private sector is actually willing to give money to the program, which helps you to the idea in your government. I want to hand it over to Glen, because in the UK, you have been very involved in this field. Maybe you can share some examples.

Glen Mehn- NESTA

Yes, and I just want to start with a couple of things. One, I heard someone said rather than what Melissa said that using the private sector to pay for the project, why don't the government just step in and pay? Because that sounds more efficient. In theory, that's true, except that the government does not know everything. I have this idea and imagination that somebody coming from the spaceship to the earth, they will look onto the earth and say, this planet is crazy. You grow enough food, but some people get loads and some people don't get anything. You have great education system and you know lots of things, but we don't solve all of problems in an efficient way and allocate our resources efficiently. Some of them is about the field of wisdom. In some way, the government is taking a leap of faith, taking a relatively small amount of money and making an experiment and going out and asking, what if. What if we can pay the results to reduce people returning to prison or to make life better for single mothers. Whatever the different thing is. But the government does not have the answers and there are lots of people begging on your door, but if you put out a competition and you put out a challenge fund, you can say come to me with your ideas, I can give you a 1.5 times returns, 2x returns, or 3x returns of your money. For 100,000 USD, I can deliver you 200,000 USD with value. That's really good, so the value of experiment is to be able to take things and allow the policy makers to think about risk. It in fact is just amount of uncertainty. I think we are really bad at identify what is a risk or uncertainty. If you close your eyes, you try to walk outside, and that's a risk. However, some of

the other things are just uncertainty. By experimenting, by going down that what if, you can turn that what if to an if then. You can start to think about how to mitigate the risk and measure the risk once you can measure it.

A few things that have been happening in the UK. We have done something very similar to Malaysia. A few years ago, we had a thing called, the Social Incubator Fund. The names of these things all sound pretty similar. The idea of the Social Incubator Fund is that the government looks around and recognizes that there is a big startup ecosystem and there are lots of people are doing social incubators and accelerators and trying to stimulate this area. But the private sector was not coming along. They did some traditional things- they created some tax incentive for early stage investment but along that, they put about 15 million pounds into 10 different social incubators. They gave grants so they can match the money, but they were not really interested in exactly what happened. The interesting thing is that they were investing in 10 different social incubators and they all have different models. Some of them were virtual, and some of them were physical; some of them is 1 year, some of them is 3 years; some of them gave investments and some of them gave grants. They were really trying to understand what the best models were. We got another thing, I think Singapore is doing something similar as well, is these regulatory sandboxes. In UK, we have one in energy, and one in fintech. We look at giving someone a banking license for 90 days, and it gave you a change to work in a regulated way and work with regulators, kind of try things out, but also creates this kind of safe space. They might say that we give you a banking license, you can have 1,000 customers or 10,000 customers, and you might renew that after 90 days. These are the great things going on in UK, but we do have tremendous a lot of things to learn from you. I am not here to say that UK is great, because we have done some very silly things recently, like the Brexit. Thank you very much for the opportunity. For our presenters, if anything you learnt from the discussions, please share with us.

Philippine delegate:

I think one of the key ideas that being discussed here was what's the difference between CSR and IB. One of our friends here was asking about it. The thing is that CSR can be anything which is philanthropic but inclusive business deals with the core business of the company. CSR fund is actually used for the development of the IB in order to maximize it and to make it more focus. That's the difference. CSR can be anything- it can be giving out books, but then that's not IB, which is really about engaging the community to the core business of the company.

Markus Dietrich-IBAN

Very good, and I am speaking on behalf of my organization. If you go to our inclusive business website, you can read everything about it. Also, OECD has done a fantastic video, which you can find it online, about what inclusive business is. ADB recently put up two videos about the winners of business award 2017, which also explains in a very nice and visual way about what we have been talking about. Melissa, anything else?

Melissa Foo:

It is a frequently asked question, why not just give the money directly to the social organization. Frequently, we are also asked that why investing in the funder instead of rewarding the social

organizations for doing a fantastic job. I guess it's great that the questions coming from the policy makers, because it shows that your concerns are with the social sector. These questions are not coming from the funders. They are more concerned about how to make sure they will meet the KPI so they can get their money back. We are an innovation in the government, so we are not trying to replace the welfare system and how the social budget are used. We are proposing new models and looking at new ways which the money can be used more efficiently. What we are having the private funders because we realize that there is a huge demand for impact investment, a demand for private financial return as well as social return, coming from the investment community and also from the venture philanthropy community. Impact investment is coming from both ways, from CSR and foundations when they decide to fund different ways or investors come in to fund different ways. But putting the element of private funders in that model, we are actually tapping into some data of that community. Who are the private funders and who are the first movers? Which are the corporate interested in changing the ways they fund CSR, coming in with the new models? We are getting a lot of new data from the questions they ask and their concerns being expressed and how they do the due diligence in such deals.

The second thing that I mentioned at the table is that we also look at innovation models. Government always gives funding in very traditional ways, because they are the most risk reverse entities. If, for example, a new model for funding schools or hospitals were proposed, it will not get funding from the government. We will always be looking at what the risks are first. If we really want to incentivize high impacts and new ways of approaching social issues, we have to get someone who is comfortable with risks, such as the private investment community, to come in and take the risks. Then the government can reward them later on if the outcomes are delivered. Perhaps there are new ways to address social issues and highly contested and government only pays when they are successful, since they are risk-averse. The government will be happy, and the private sector gets their returns and the new innovative ideas get validated and supported. That's why we have done such a complicated approach to a simple cost-saving government model. We are actually trying to innovate and trying to pull that out in the ecosystem.

Markus Dietrich-NESTA

Excellent. Thanks so much, Melissa, for wrapping that up. With this group, we would love to do this the other way around. Instead asking the presenter, we would love to have a response from the audience group. Anything you want to share?

Michael Mapstone- Charities Aid Foundation (CAF) UK

We have done quite a lot of research on blockchain and artificial intelligence. What we found is that blockchain can be hugely powerful in the transformation for development and for bringing in transparency, especially at the governance level within aid funding. However, the challenge around that is who ends up owning the blockchain and whose interests are being implemented into the blockchain- those are the risks. In terms of interaction with artificial intelligence, there are some serious challenges for civil society, outlined and highlighted that currently transform the UK government to better understand that what challenges are being created for civil society

in UK and globally, because there is a real capacity issue around understanding this. Also what new problems will be created by this new technology. We have seen lots of problems been created by revolutionary technology, social media and internet, and these is lack of understanding about that. Huge positives but some grey areas about blockchain and artificial intelligence.

Pat:

Thank you very much for your energy and time. We have run over so we will do this wrap-up really quickly. You have some surveys on your table from one of our partners, UNESCAP. If you can, please quickly write down some feedbacks. As we asked earlier, whatever the notes you have taken in response to our presenters, please leave them behind. If you do have time, please visit our booth outside. There are two things for you to check out. Firstly, the pay for success case study serials for social impact bonds, which were written up by AVPN, so you can learn about the implementation of the social impact bonds in Asia Pacific. We also have a policy development heat map and we would love to have your feedback. The policy development heat map will show you what kind of policy development has been going on in the past decades in Asia Pacific that are effecting the social development ecosystem today. This is our first initiative trying to present this in a way that is relevant for our membership community. Please take a look and offer your feedback about what you think and what you want to know about policy. We thank you for your concentration, and we hope to see you again tomorrow in the policy showcase where we will be sharing four more policy developments. Thank you and a big applause for everyone and for the presenters. Thank you!