Leveraging Blockchain for Impactful Investment

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Pan-Impact Korea is the intermediary of social impact bonds in Korea. Through prior investment from private sector, SIBs enable government to pay back only for successful public projects, thus government spends taxpayers' money more efficiently. In addition to this, with SIBs government can focus on actual performance because the results should be measured to determine whether it is success or not. As the idea of SIB is very innovative, since 2010 there have been more than 100 policies implemented by SIBs in the world.

Though SIB is one of the most innovative impact investing tools, it has some limitations. Firstly, while it has the name 'social impact bond', it is in fact not a bond, but it is just an investment 'contract'. Therefore, SIBs are not tradable in the market, so the investors of SIBs are hard to liquidate their money. As a result, this characteristic of SIB increases the risk of investment. Secondly, the payout structure of SIB is normally very complicated, and so it is also somewhat complicated to calculate payouts for investors according to various conditions SIBs have.

To overcome these limitations, I made a breakthrough with new technology called blockchain and 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 practically very hard. Therefore, it is secure and credible system with no central server. Smart contract is a program that is installed in blockchain, which enables the implementation of particular functions. So with a smart contract, we can run a program without any arbitrator or main server and it increases credibility and accuracy.

With overheating speculation on cryptocurrency market, a lot of people pay more attention to the price of cryptocurrency rather than new technology and innovative idea behind it. But, I paid attention to the technology, and tried to make the best use of it. I developed a 'SIB smart contract' that is called 'smart SIB'. Smart SIB was made to solve the limitations of traditional SIBs and to improve intermediary's administration process.

With smart SIB, Pan-Impact Korea digitized and securitized the original investment contract. The right of shares of investment were segmented into transferable units and initially sent to the original investors of the project. The investors can check their balances and transfer them to other investors safely. After the project ends, income per share will be precisely and quickly calculated and the investors can check their final incomes conveniently. Smart SIB is the good case that demonstrates the potential of innovative technology applied to social innovation.

The main theme of my presentation is not only SIB or blockchain. The more important thing is accepting new ideas from the field of technology and combine them with our own filed of interest. In our case, new technology like blockchain improved SIBs, and created a synergy with it. It has improved stakeholders' benefit and intermediation method of SIBs. In addition to that, it sends a good signal to impact investing market as its implication is applicable to various activities in the market.

Also, for the policy makers, it gives some message how new technology can improve society and extend the opportunity for the market. Some countries strictly regulate blockchain industry, while other countries promote and support it to lead the industry. For example, Korean government has not legislated any rule for the blockchain industry, and some Korean companies left Korea for other countries. Pan-Impact Korea is also considering to establish an entity in foreign country. Policy makers should understand the concept of new technology exactly and judge the outcomes of new technology. And they should properly support or regulate it. If we do not turn our faces away from the new technology, and show a good example of its application, then we can spread positive impact on our society.

<Questions for the Audiences>

1. Every country has different views and policies for blockchain industry. For instance, South Korean government once had announced to promote blockchain industry while stabilizing cryptocurrency market. From a policy perspective, what position can a government take for blockchain and cryptocurrency, and what is proper approach toward them?

2. Smart SIB has improved original SIB contracts with blockchain technology. Like this case, is there any other possibility that new technology considered to be the 4th Industrial Revolution(e.g. artificial intelligence, big data, virtual reality, drones, 3D printers, internet of things, etc.) are used to solve social problems? If so, please suggest any idea of its application.

3. Blockchain has a distinct characteristic of decentralization as it is operational without any central server, and its data flows across the world. Government is no more able to intercept information or control the people accessing to it. Blockchain seems to have anarchistic background philosophy. Nevertheless, do you think government can coexist with blockchain and benefit from it? What is the virtue (or vice) of blockchain for the governments?