

## Financing the Decade of Action



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There is an inefficient philanthropic industry that fails to create a value for impact as well as a long-term meaningful connection between donors, volunteers, and recipients. Take Corporate Social Responsibility (CSR) within businesses for instance; The Harvard Business Review<sup>1</sup> states that pursuing a “shared value” within CSR is not the norm. Shared value is the economic value that also creates value for society, but if the goal of CSR programs are to mainly drive profit over people and our planet, we lose the value created for our collective society across the world.

The United Nations Development Program cited the Business and Sustainable Development Commission<sup>2</sup> saying that achieving the Global Goals could open up an estimated \$12 trillion US dollars in market opportunities between: food and agriculture (SDG9), cities (SDG11), energy (SDG7), health and well-being (SDG3). Furthermore, they stated that these four segments represent around 60 percent of the real economy, therefore critical to delivering the Sustainable Development Goals (SDGs).

Environmental, Social, and Governance policies (ESGs), as a part of sustainability and the SDGs, has become widely practiced by companies. However there are still gaps in properly measuring all factors within these policies; the Better Business Better World report<sup>3</sup> states that the lack of a standardized system for reporting ESG performance is the main reason ESG analysis is often not entirely accurate. Moreover, in the absence of this standard, different companies use different reporting standards. This inconsistency in measuring and reporting often leads to also inaccurately measuring the indicators within the Sustainable Development Goals. Knowing this information, it becomes difficult

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<sup>1</sup> <https://hbr.org/2015/01/the-truth-about-csr>

<sup>2</sup> <https://www.undp.org/content/undp/en/home/blog/2017/8/25/More-than-philanthropy-SDGs-present-an-estimated-US-12-trillion-in-market-opportunities-for-private-sector-through-inclusive-business.html>

<sup>3</sup> [https://d306pr3pise04h.cloudfront.net/docs/news\\_events%2F9.3%2Fbetter-business-better-world.pdf](https://d306pr3pise04h.cloudfront.net/docs/news_events%2F9.3%2Fbetter-business-better-world.pdf)

to understand the lack of alignment towards the goals set to be achieved in 2030. As we make our way to the end of 2020, with the Decade of Action already commenced, our ten years need to involve significant changes in both philanthropic donation and investment industries.

At *Arbor* Impact Management (*Arbor*), we aim to provide a platform that can facilitate transparent donations between donors and projects, as well as provide a standardized impact growth portfolio. *Arbor* has created 17 SDG funds, specific to each singular SDG and their respective targets and indicators. Each project on the platform is required to target a singular indicator within an SDG and each user is able to create an SDG portfolio by buying into these impact projects<sup>4</sup>; users can choose their preferences from one SDG to multiple SDGs, along with one indicator to multiple indicators within different SDGs. Buying into an SDG fund and in turn the project, allows us to allocate shares for projects within the fund(s) chosen. Users have impact portfolios to manage and track their shares; to buy and sell impact shares with a goal to generate the most impact. The portfolios align all projects toward SDGs, tracking the growing impact over time.

Moving from donations to investments, the Better Business Better World report<sup>5</sup> states that investment in sustainable infrastructure is the most critical investment to achieving the Global Goals. This is because economically, infrastructure investment is a key element to growing productive capacity into economies of scale. For instance, the IMF<sup>6</sup> states that a one percentage increase in infrastructure investment leads to almost half of a percent rise in GDP within the first year of investment and then up to a 1.5 percent rise in GDP for the next four years after investment. To achieve the Global Goals, infrastructure is needed in energy, transportation, agriculture, and water sectors; this infrastructure is needed in schools, hospitals, and broadband networks for high-speed Internet access to developing areas around the globe. However, unlocking the infrastructure investment needed to achieve the Global Goals requires significant capital.

According to *Forbes*, Private Non-operating Foundations and Individuals in the US market alone only give away 5% of their assets as legal requirements for donations and use the remaining 95% to generate profits to grow their assets by investments<sup>7</sup>. Moreover, the CFA Institute stated that assets held by all foundations in the US totalled \$865 billion<sup>8</sup>. 80% of this is by non-operating foundations. With this in mind, *Arbor* Impact Management (*Arbor*) offers asset purchases for infrastructure projects (e.g. building a school to support SDG 4: Quality Education, Target 4.a.1) and Social Impact Bond investments in exchange for Impact shares as well. This allows us to create

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<sup>4</sup> We focus on Projects within organizations and not the entire mission of the organizations themselves

<sup>5</sup> [https://d306pr3pise04h.cloudfront.net/docs/news\\_events%2F9.3%2Fbetter-business-better-world.pdf](https://d306pr3pise04h.cloudfront.net/docs/news_events%2F9.3%2Fbetter-business-better-world.pdf)

<sup>6</sup> <https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>

<sup>7</sup> <https://www.forbes.com/sites/morgansimon/2019/09/25/why-giving-your-money-away-wont-change-the-world/#722bae6fb20d>

<sup>8</sup> <https://blogs.cfainstitute.org/investor/2018/02/20/the-seven-kinds-of-asset-owner-institutions/>

circular finance<sup>9</sup> within the philanthropic industry for donations and investments, driving proper measurable impact.

To give an example, we will use the case for building a medical clinic in Brazil<sup>10</sup> in Exhibit 1.A<sup>11</sup>. We can see the funding breakdown to be 30% donations, 50% Asset-backed investments, and 20% in loans, totalling 100%. Focusing on the donations and investments portion totalling 80% of the project (i.e. 30%+50%), it represents \$80,000 dollars of the \$1,000,000 dollars worth of funding needed. If we allocate 1000 shares to the project (for simplicity sake), we will see that one share will equal \$1000 dollars. Now if we take a look at Exhibit 1.B<sup>12</sup> we see the impact return out of ten for each funding type, equating to a dollar return in percentage to the overall total, for each type of funding. From this we can see that donations make up \$300,000 dollars for the total \$1,000,000 dollars of total project funding needed. This dollar amount combined with the donation weight 60% we see in Exhibit 1.A<sup>13</sup>, we come to 600 shares of the total 1000 shares for the entire project.

From this example illustrated by these exhibits, we come to see that impact return is weighted more heavily in our impact share distribution than dollar return. Using this method for impact share calculation allows us to incentivize donations and therefore facilitate this “share value”<sup>14</sup> we see explained in the Harvard business Review.

While explaining our process for the Impact Measurement is not to its entirety of this paper due to its complexity and current expansion into extensive research with AI machine algorithms we have been developing. However, we are able to briefly explain our impact measurement through our tokenization process<sup>15</sup> based on the impact share allocation and weights. As depicted in Exhibit 3, we are able to see the distinction between an impact coin with its ROI pertaining to *Return On Impact* of no particular economic means, and our Investment coin with its ROI pertaining to *Return On Investment* based on economic derivation. The use of these tokens enables us to include gamification into our solution, Arbor, as it allows us to easily track and measure all impact as well as financial inputs (donations or investments) and modernize their vector frequencies to rank and create relationships within each donation/investment and impact variation created. These relationships will be schematically sequenced to create a leadership board between all users.

Our efforts elevates humanity by making impact a fun and easy financial product. Our project elevates humanity by incentivizing non-financial public offerings toward sustainable development. By doing so, more capital will flow towards areas and people most in need and finance the Decade Of Action to achieve the United Nation’s SDGs.

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<sup>9</sup> Exhibit 1

<sup>10</sup> [https://info.undp.org/docs/pdc/Documents/BRA/Business+%20Brazil\\_28.03.2019.pdf](https://info.undp.org/docs/pdc/Documents/BRA/Business+%20Brazil_28.03.2019.pdf)

<sup>11</sup> Exhibit 2.A

<sup>12</sup> Exhibit 2.B

<sup>13</sup> Exhibit 2.A

<sup>14</sup> <https://hbr.org/2015/01/the-truth-about-csr>

<sup>15</sup> Exhibit 3

## **Exhibits**

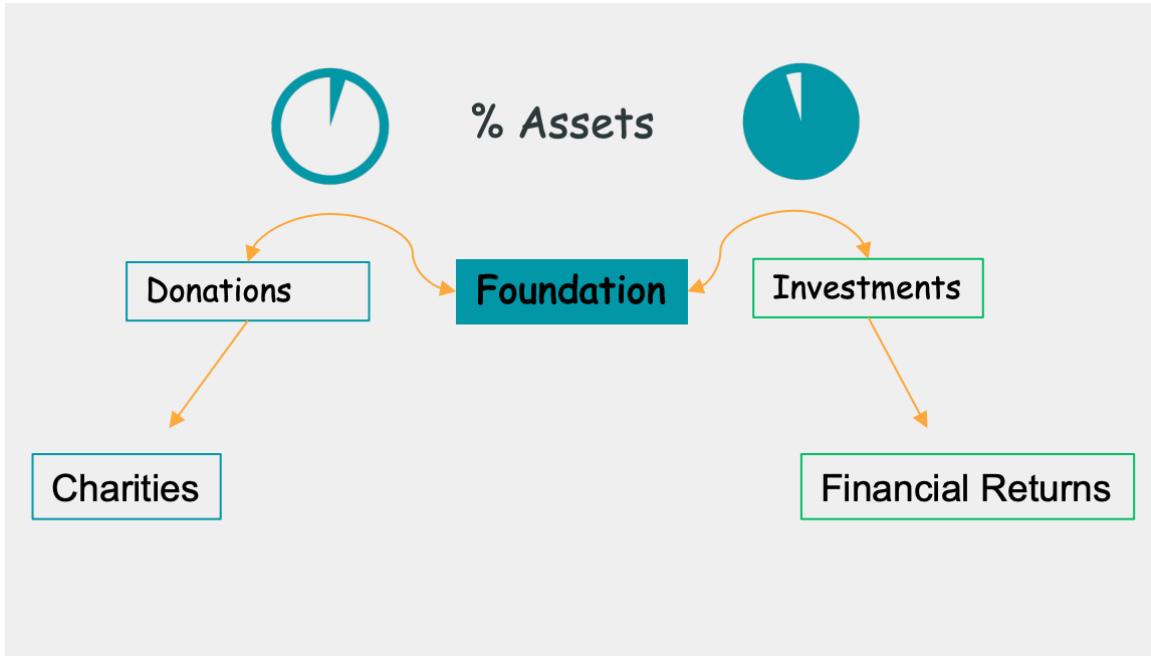


Exhibit 1

Exhibit 2.A

## Example: Project 'Build Medical Clinic in Brazil'



Implementer: UNDP

Past Projects

12

Average iRR

8,2

Expected Project iRR

10

Total Funders

120

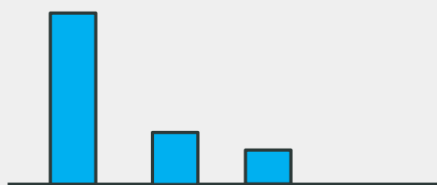
Timeline

5 years

Impact Shares/Tokens

Project Funding Overview

Donors Investors Lenders



Total Impact Shares: 1,000

Donations	30%
Asset Backed Investments	50%
Loans	20%
<b>Total Funds</b>	<b>\$1,000,000</b>



Exhibit 2.B

## Funding Overview 2

	\$	Impact Shares (1000)	\$ Return	Impact Return (10)
Donation	300,000	600	0%	6
Investments	500,000	350	2%	2.5
- Asset 1 (Building)	350,000	175	1%	1.75
- Asset 2 ( )	150,000	75	3%	0.75
Low Interest Loans	200,000	150	1.3%	1.5
Other	-	-	-	-



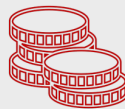
Exhibit 3

## Tokenization



### Impact Project Tokens

Tied to the impact created by a project.  
Donations receive more because they are more essential. (Incentive to donate + fair allocation).



### Investment Tokens

Backed by assets.  
Immediately tradeable backed by asset value and impact value.

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