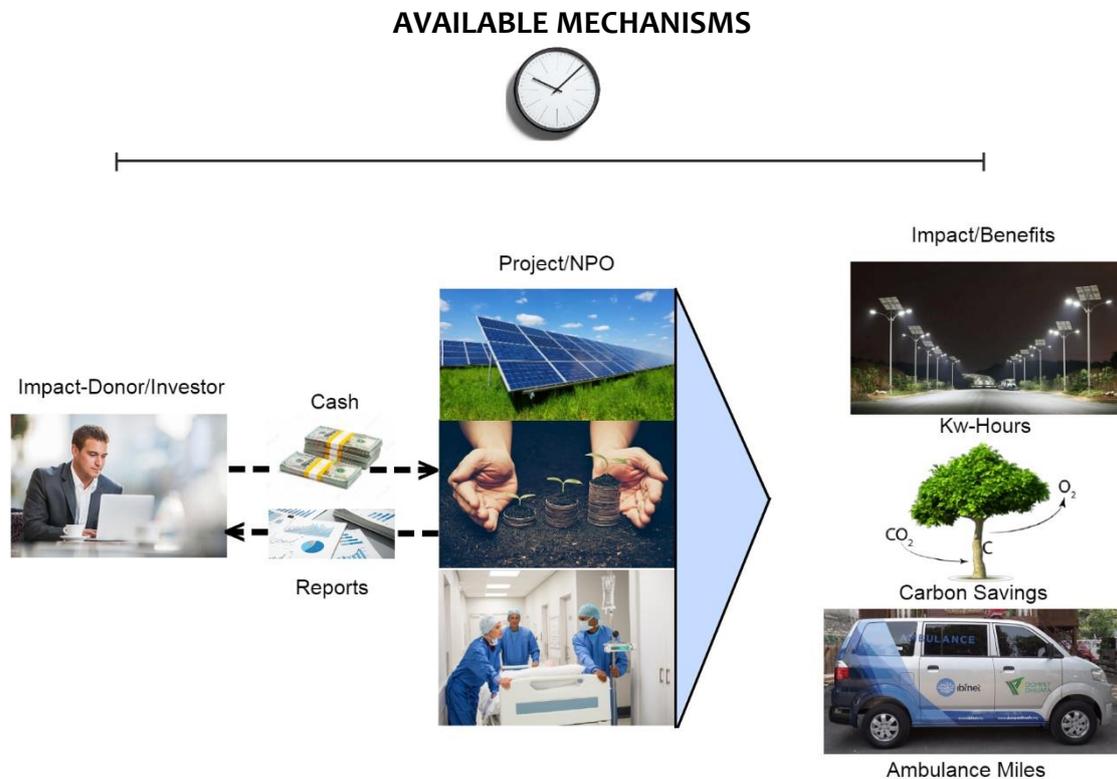


How IBF CONFLUENCE Enhances IMPACT with SOCIAL CRYPTOS



Current practices and mechanisms relating to impact investments may be narrated as under the following steps (See Chart above):

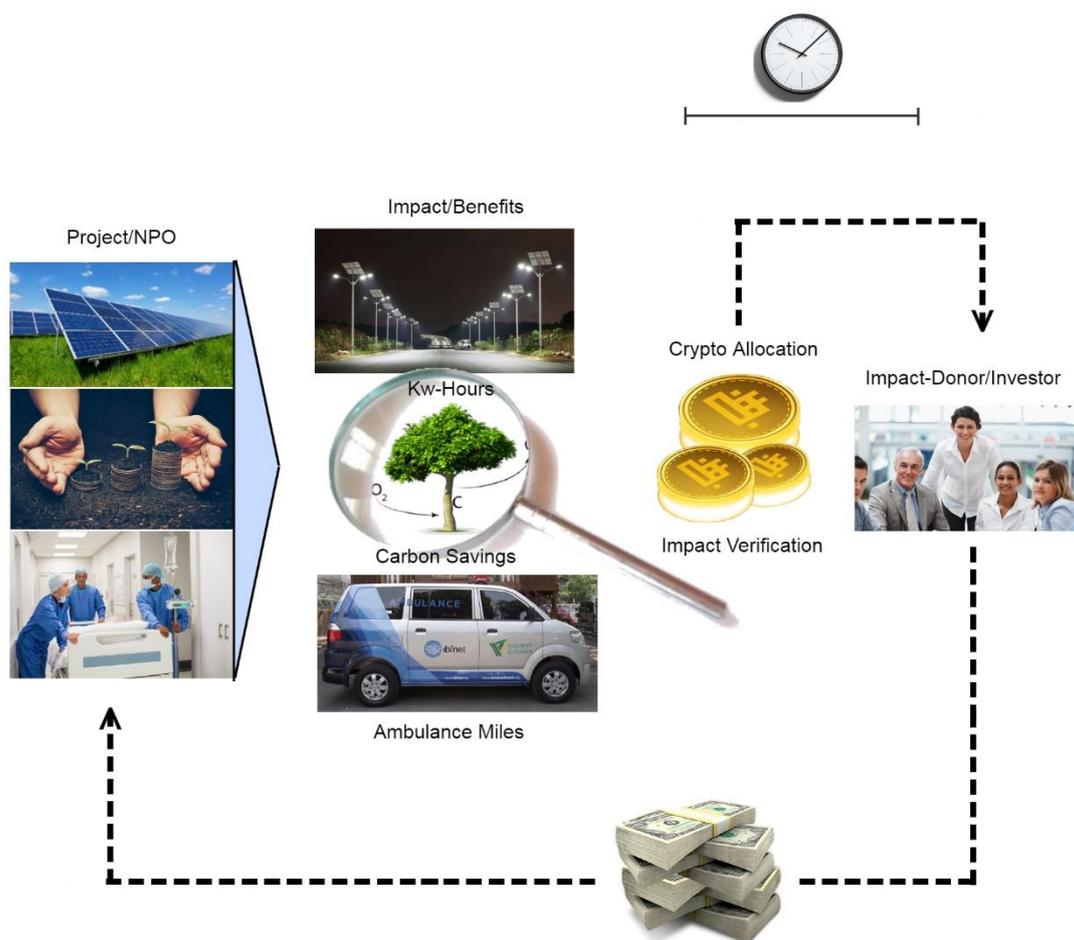
1. The impact-conscious donor/ investor donates to/ invests in projects with potential impact.
2. Project invests in impactful projects (plantations/ ambulance fleet/ solar installations) and creates impact (carbon-savings/ ambulance-miles/ kilowatt-hours).
3. Project monitors and measures impact and develops reports.
4. Project owner reports to donors/investors.

The pain points from donor/investor's point of view are as follows:

1. There is usually a time-lag between investments in or donations to impactful projects and the realization of the impact (eg. plantation or ambulance fleet or solar installations)
2. Since the impact-measurement tools are selected and employed by the project owner, there is a moral hazard problem in the form of possibility of bias and overstatement.

3. The investor-donor may have little control not only over the impact measurement tools and mechanisms, but also on the timing and quality of reports furnished by the project owner.
4. Usually there is a certain degree of lumpiness with the donation/investment requirements (not finely divisible) ruling out the possibility for the impact investor-donor to create a well-diversified “impact” portfolio.
5. There are rigidities relating to the desired impact creation; the impact-investor-donor is usually not in a position to alter the nature of impact (say, change the desired nature of impact from environment care to health care or to renewable energy)

IBF CONFLUENCE MECHANISM



1. Project is in the business of creating impact (existing plantation company or healthcare NPO operating fleet of ambulances or solar installations)
2. Project provides verifiable data on impact to (or impact is directly measured by) third party (Platform: Impact Exchange)
3. Platform converts impact into cryptos using a metric (such as, CO₂-savings or ambulance-miles or kilowatt-hours) and transparent accounting.

4. Platform records impact on the blockchain in the form of cryptos (can no longer be tampered with or concealed)
5. Platform credits Project with social cryptos in its social ledger.
6. Donor(s)/ Investor(s) can now get the cryptos transferred to their accounts by making a payment of dollar-equivalent value to Project.
7. Such dollars are reinvested by Project in expansion of its impact-creating assets (new plants/ ambulances/ solar installations)

How Pain Points Are Addressed (See Chart above)

1. There is zero time-lag between donation/ investment and impact, since impact creation precedes the donation/ investment act.
2. Impact measurement tools are employed by third party (Platform) with no incentive to overstate/ understate; Project owner has little control over impact data generation (e.g. EID device on ambulance for tracking miles)
3. None of the stakeholders and actors need to depend on reports provided by the project owner.
4. Divisibility and granularity to impact assets is provided through social cryptos.
5. Donor/investor can easily change the nature of his/her footprints across various sectors and design his/her preferred portfolio of impact-donations or impact-investments.

Shariah Perspectives on IBF Social Cryptos

Is there any room for speculation with IBF Social Cryptos? The answer is a resounding NO.

We consider two scenarios here.

- a. One, where the social cryptos are transferred between the parties at a single rate with no change in prices ever possible. This is a non-commercial scenario in the context of donors with no intention to make profits from price appreciation. There is no buying and selling (of tokens) taking place — from a Shariah point of view — at negotiated prices between any of the parties, even while the transfer takes place through the Impact Exchange. Social cryptos issued against actual “ambulance miles” or other metrics carry a fixed and pre-agreed dollar-equivalent-value. They will always be acquired and transferred at this value. There is no possibility of “buying low and selling high” for any party, ruling out any profit, whatsoever. The possibility of “illegitimate” profits is just not there, since there are no profits to be made in the first place.
- b. Two, in this scenario, social cryptos are transferred between the parties at negotiated prices. In this case, the distinction between donor and investor disappears and the original donor is looking forward to making profits, even while it may plough back the same into the project leading to its expansion. It may be noted here that such profit-making would be similar to awaqq making profits on their investments. Profits will be made only in a long-term and not on the basis of short-term fluctuations in prices. Social cryptos are neither listed nor traded at any “external” exchange ruling out any significant volatility in conversion rates or a possibility of speculation or gambling. Social cryptos issued against actual “ambulance miles” or other metrics carry

a fixed and pre-agreed dollar-equivalent-value. Due to a clear benchmark for “intrinsic” value, they are expected always to be acquired and transferred around this value. There is no possibility of purchase “without any intention to take delivery” or sale “without ownership and possession of the object of sale or transfer. The final conversion of cryptos to fiat money also takes place at fixed rates announced by the platform from time to time. Thus, the possibility of gambling on price volatility is completely ruled out here as well.

The social cryptos derive their dollar-equivalent-value from a transparent accounting process based on the economic and technical life of the impact asset (tree/ ambulance/ solar installation) and its expected performance during its useful life. It is a notional value used for social accounting purpose only.

The use of social cryptos allows the parties to focus on “impact” that is now measured in terms of impact metrics (carbon savings/ ambulance miles/ kwatt-hours). Hence, the donor who cares about impact is encouraged to donate more, as s/he clearly sees the impact even prior to making his/her donation.

The use of social cryptos provides divisibility to ambulance assets and allows donation in small amounts — donation of ambulance miles and provides more ease and flexibility to the donor. The donor is no longer constrained by the lumpsum funding requirement that goes with a complete ambulance asset. Thus, there is a clear encouragement to a benevolent and charitable act in the line with the goals (maqasid) of Shariah.