



Free Market Breakthroughs For the Next Four Billion

Opportunities to Catalyze Grassroots-Up Change

Mark Frazier, Openworld, Inc.

Aim

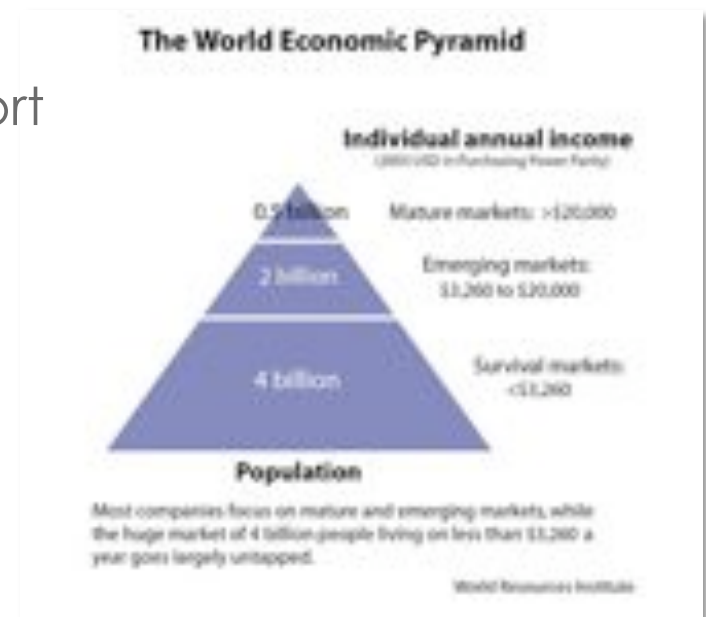
- ▣ Review the scale of poverty caused by state failures
 - ▣ Survey freedom-enhancing innovations for grassroots initiatives
 - ▣ Explore how to bring these innovations together in new, self-funding ways that can bring prosperity to the world's poorest – “the next four billion”
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Background

- The “base of the pyramid” – four billion people living on less than \$3500 a year
- Past approaches have fallen short
- Corruption: a \$1 trillion industry



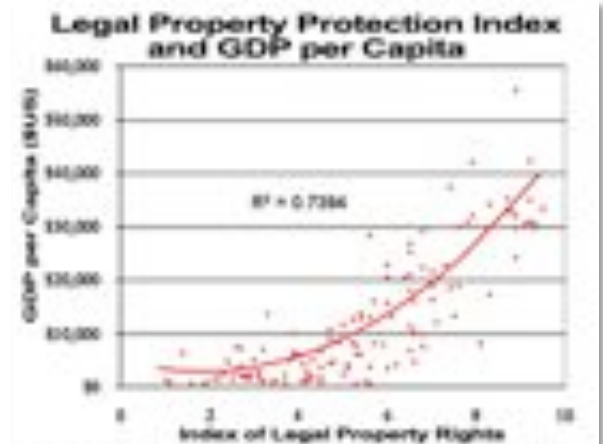
Source: James Tooley



Background

- Billions of people are locked in poverty because of failures and predations in public sector institutions
- Hernando de Soto estimates \$9-14 trillion in “dead capital” is untapped because of broken land titling and dispute resolution systems

The screenshot shows the Economist.com website interface. At the top, there is a search bar and navigation links. The main content area features a red header for 'Finance & Economics' and a sub-header for 'Legal reform and development'. The article title is 'The law poor', dated June 5th 2008, from New York. The article's main headline is 'A new report says that legal empowerment can help end poverty'. The text begins with 'Two in every three people on the planet—some 4 billion in total—are “excluded from the rule of law.” In many cases, this begins with the lack of official recognition of their birth: around 40% of the developing world’s five-year-old children are not registered as even existing. Later, people will find that the home they live in, the land they farm, or the business that they start, is not protected by legally enforceable property rights. Even in the rare cases



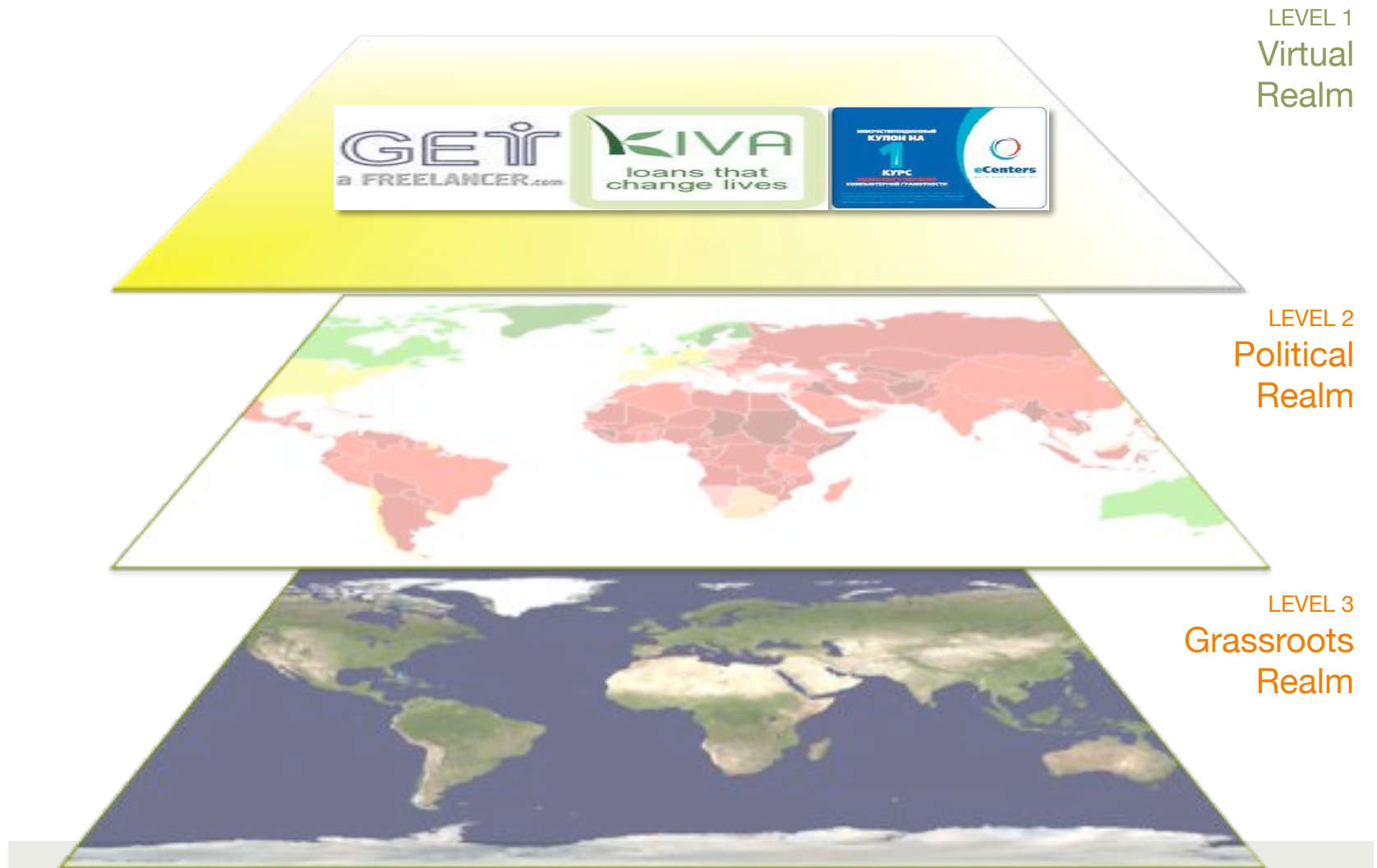
There is a high correlation between the relative index of legal property rights and per capita Gross Domestic Product between nations. Source: Adapted from James Gwartney and Robert Lawson, *Economic Freedom of the World – 2005 Annual Report*, Fraser Institute, 2005.

<http://www.fraserinstitute.ca/shared/readmore.asp?Nav=pb&id=789>

Background

- Breakthroughs are at hand to awaken dormant assets for the benefit of the world's poor
 - Game-changing innovations are at work on three levels
-

Game-Changing Innovations



Background



LEVEL 1
Virtual
Realm

Level 1 Innovations (Online Free Markets/Digital Philanthropy)

- 50+ online telework markets help microentrepreneurs in poor areas find jobs and reliable contracting, payment, and dispute resolution systems
- Micro-lending portals are bringing capital to grassroots ventures
- Digital donations (including microvouchers) are enabling “anytime, anywhere” learning resources to reach all parts of the world

As bandwidth spreads, these developments can awaken human potentials regardless of where people live

Background: Online Free Markets



- Software development, testing and maintenance services
- Secretarial services
- Help desks, technical support, and customer support centers
- Graphic art and design services
- Web-based research services
- Tutoring and mentoring services
- Transcription and editing services
- Web page design and development
- Electronic publishing
- E-learning course development
- Software translation and localization
- Computer-aided design and GIS systems
- Indexing and abstracting services
- Translation services
- Multimedia editing and animation services
- Image processing and claims processing
- Remote security systems

LEVEL 1
Virtual
Realm

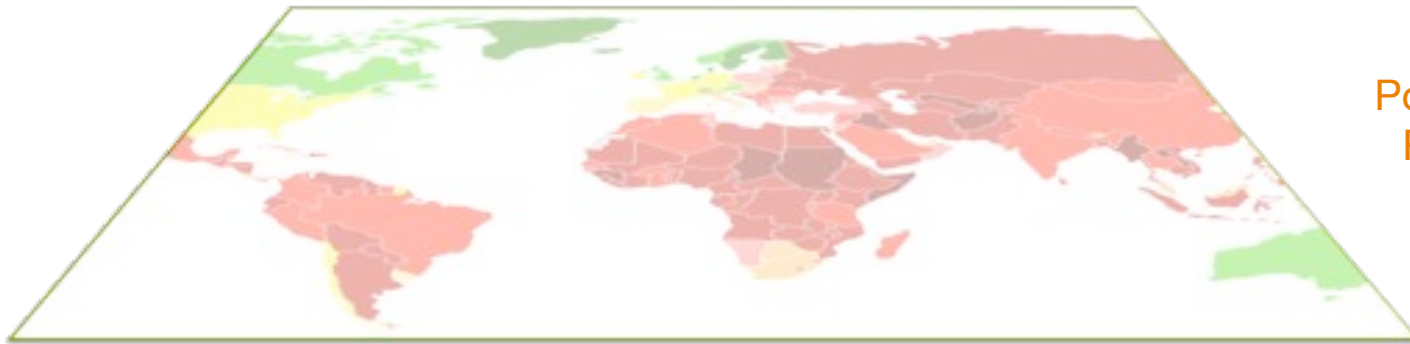
How Large are the Next Markets?

A prediction by Vinod Khosla, the top-ranked venture capitalist in the United States:



*"I suspect that by 2010, we will be talking about [remote services] as the fastest-growing part of the world economy, with **many trillions** of dollars of new markets created."*
— Harvard Business Review, September, 2002

Background



LEVEL 2
Political
Realm

Level 2 Innovations (in the Politicized Realm)

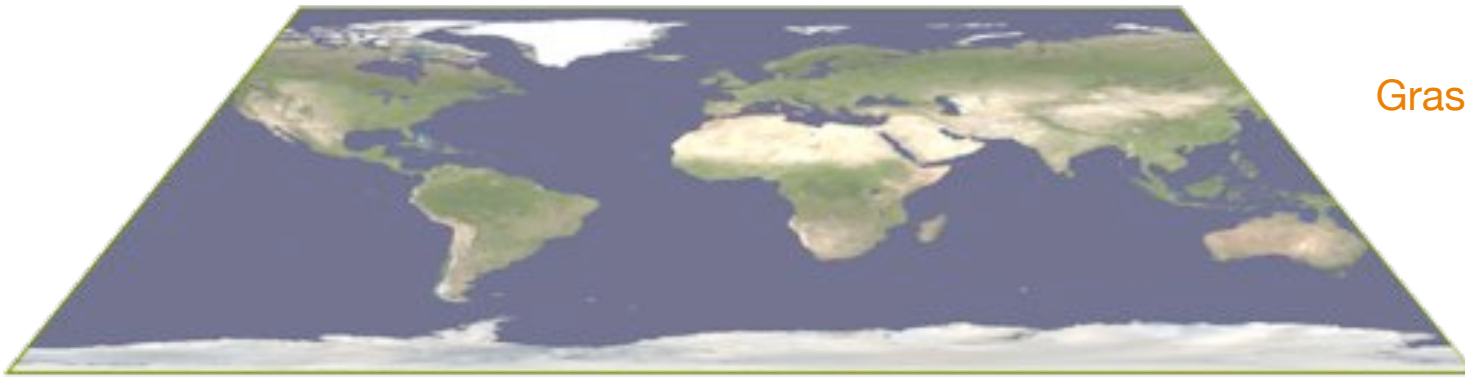
Although most government organizations still resist change, new progress is evident --

- eGovernment solutions are increasing transparency
- “flexiwage” bonus systems (pioneered by Singapore) are linking public sector pay directly to the growth rates of the private economy
- Governments are offering exemptions from failed policies and institutional practices, through designation of free economic zones



Source: ZonAmerica.com

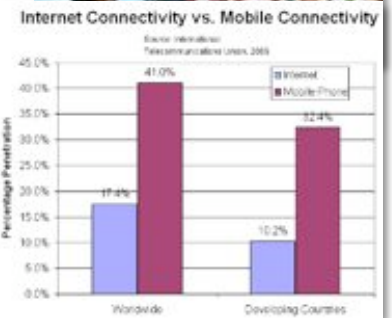
Background



LEVEL 3
Grassroots
Realm

Level 3 Innovations (in the Grassroots or “Informal Sector” realm)

- ▣ Entrepreneurial schools for the poor are educating tens of millions
- ▣ Peer-based microlending has helped 100 million+ small/new entrepreneurs gain access to finance
- ▣ Cell phones are now enabling billions of people to directly connect with each other and with new market opportunities



Background

Cell phones... 2 billion and counting... open a range of opportunities:

- *Information on market prices and funding sources, bypassing intermediaries*
- *Text-based payment systems (e.g. gCash and "MoneyTextMe") for vouchers and microlending*
- *Digital image/video recording, GPS, and projector capability (of value for private land registry databases and for entrepreneurial schools)*
- *Access to online arbitration*
- *"eGovernment in your pocket" – cutting delays and red tape*



mecca.com
gateway to mecca

Filipinos turn cell phones into virtual wallets

Millions use *texting* to transfer money over mobile banking services



SAN MIGUEL, Philippines - It's Thursday, so 18-year-old Dennis Tiangco is off to a bank to collect his weekly allowance, zapped by his mother — who's working in Hong Kong — to his electronic wallet: his cell phone.

Sauntering into a branch of GM Bank in the town

(\$54), minus a 1 percent fee. He doesn't need a

More than 5.5 million Filipinos own their

NOVEMBER 16, 2007

After m-banking comes m-government

Last year, the total number of mobile technology users was estimated at 2.7 billion, compared with only 1.1 billion of those with Internet access. Some countries have been experimenting with "mobile government"

(M-Government) to deliver public services to citizens who are unable to go online but have a cell phone — estimated at least 22 percent of people in developing countries.



Background

The big question –

- *How can these innovations converge in the near term, to spread scalable and self-funding breakthroughs that bring an end to poverty?*
-

Opportunity

Openworld's approach:

- ▣ prepare digital “**challenge offers**” – bundles of valued new resources and services – for communities that commit to awakening dormant assets through land grants and free market reforms
-

Closeup: The Opportunity

GLOBAL CHALLENGE OFFERS

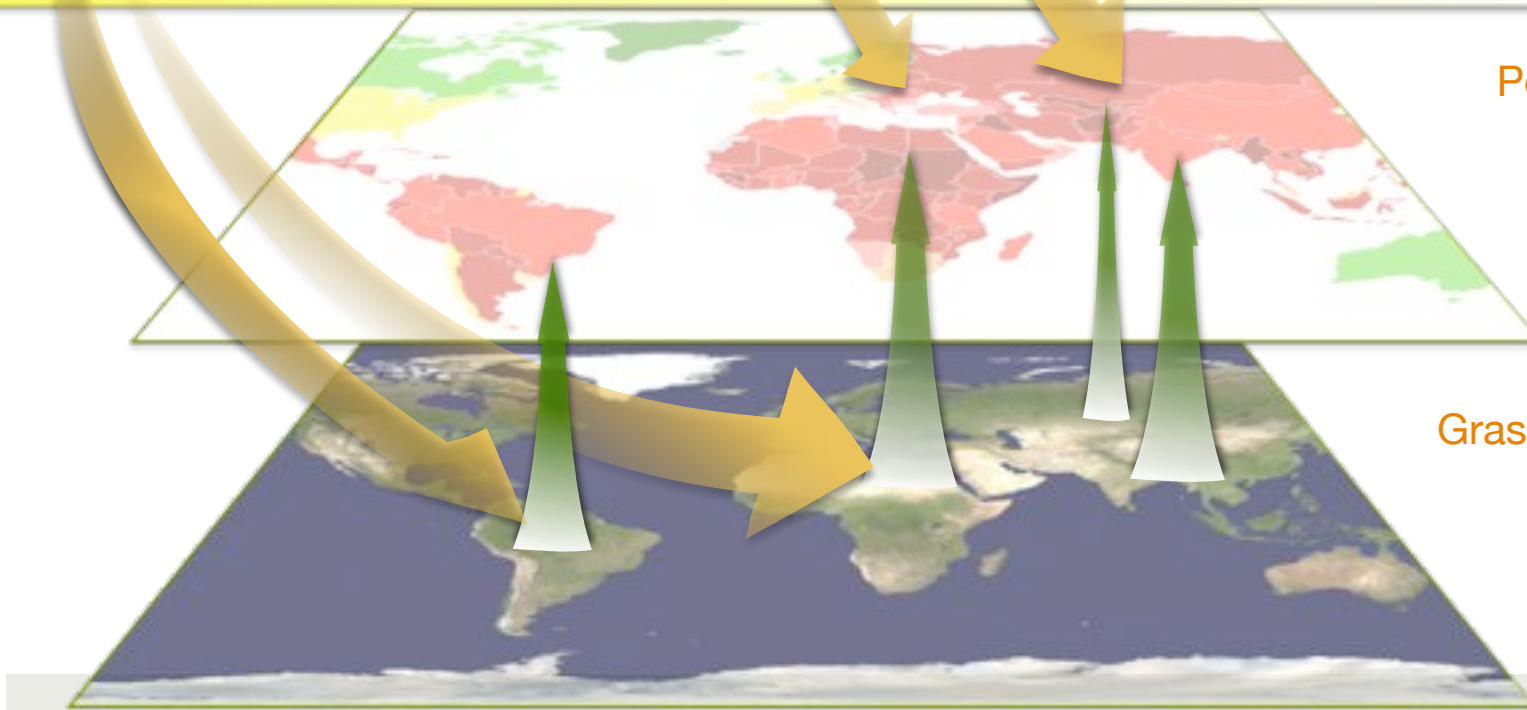


Virtual resources that spread skills, create jobs, and awaken assets can deliver “early wins” for areas that move towards freedom

LEVEL 1
Virtual
Realm

LEVEL 2
Political
Realm

LEVEL 3
Grassroots
Realm



Challenge Offer: Microvouchers

- Openworld's Whitehead Initiative in Digital Philanthropy is based on "challenge grants" of microvouchers for students at entrepreneurial schools, rewarding students who research freedom-enhancing opportunities



John C. Whitehead
Cochairman (ret.), Goldman Sachs

Source: HorizonLanka.org



Challenge offer: Upgrading skills

- In-kind assistance is another element of the Challenge Offer “package” – including online help in editing student-created eLessons, and Skype practice sessions to improve language skills



The screenshot shows a web-based eLesson interface. At the top left is the 'Openworld Horizons' logo. Below it is a profile picture of Ms. Udeshika Madushani, with her name and 'HorizonLanka Academy' listed underneath. A welcome message reads: 'Hello, Welcome to Horizon Lanka Virtual Academy. The topic is about energy and we are going to talk about few more things about energy concept. First let's move to our guide lines. First one is, Introduction to energy. Then, Different types of energy. They are Kinetic energy, Potential energy, Nuclear energy, Electric energy, Magnetic energy and Heat energy.' The main content area features a grid of images related to energy: a power plant, a person running, a globe, a sun, and a roller coaster. Text in this area includes 'Energy', 'Presented by Udeshika Madushani', 'Created By Udeshika Madushani', 'udeshika@horizenlanka.org', and 'www.hlacademy.org/hva'. At the bottom, there are sections for 'LINKS' (HorizonLanka Virtual Academy, Horizon Lanka Foundation) and 'RESOURCES' (Openworld Exchange - opportunities for talented people, 'Opening the World' - Openworld Sustainability Initiative). Navigation buttons for 'Comments' and 'Glossary' are visible at the bottom left.



Challenge Offer: Free Zone design inputs

The New York Times

Korea's High-Tech Utopia, Where Everything Is Observed



Illustration courtesy of Kohn Pedersen Fox Associates

The U-Life South Korea plans to spend \$25 billion on New Songdo, the world's largest "ubiquitous city," with computers linking home life and life on its streets. Construction, 40 miles from Seoul, is to be done in 2014.

By PAMELA LICALZI O'CONNELL

Published: October 5, 2005

IMAGINE public recycling bins that use radio-frequency identification technology to credit recyclers every time they toss in a bottle; pressure-sensitive floors in the homes of older people that can detect the impact of a fall and immediately contact help; cellphones that store health records and can be used to pay for prescriptions.

Circuits



These are among the services dreamed up by industrial-design students at California State University, Long Beach, for possible use in New Songdo City, a large "ubiquitous city" being built in South Korea.

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- Songdo, South Korea – an example of planning inputs by US college students for a US\$ 25 billion new private free zone development initiative

Elements of the Challenge Offer

Downloadable toolkits

- Quickstart centers
- land grant development
- market-friendly reforms



Online help

- inputs for eLesson creation
- mentoring for telework ventures
- advice on policy reform
- alternative dispute resolution



Microscholarships

- stipends to attend entrepreneurial schools
- coupons for internet access to online learning resources



Telework

- online work-study projects
- virtual internships
- continuing projects via online free markets



Catalytic funds

- digital donations
- small loans to most promising entrepreneurial schools, telework freelancers, or development ventures

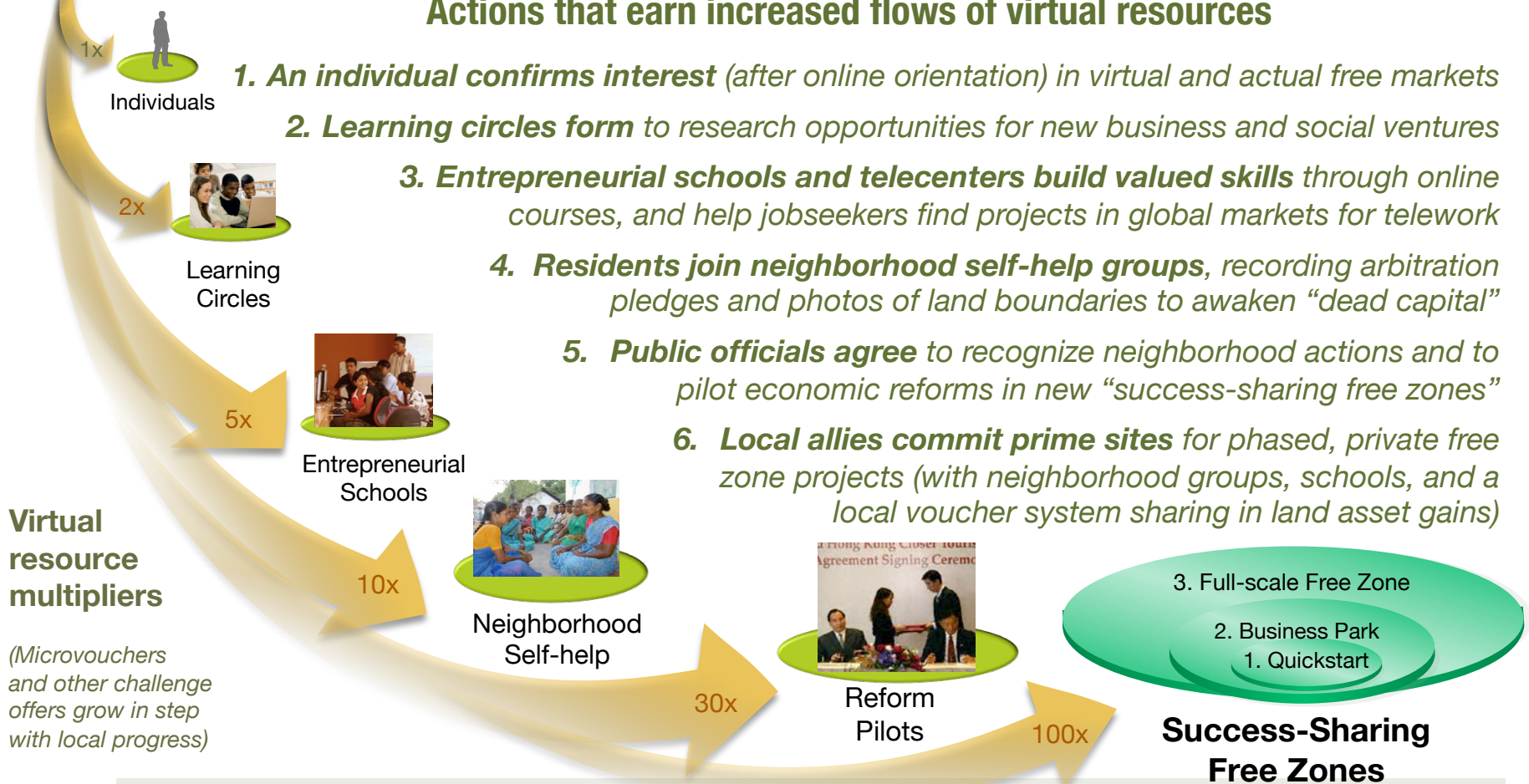


- Quickstart toolkits for entrepreneurial schools and fast-track free zone development
- planning/implementation assistance by online campus groups, policy institutes, and volunteers interested in the success of market-based learning and free zones
- Microvouchers for online training and certifications
- Introductory online work-study projects and telework jobs
- catalytic microfinance for promising entrepreneurs, plus introductions to Openworld-affiliated investors

How global challenge offers help local allies

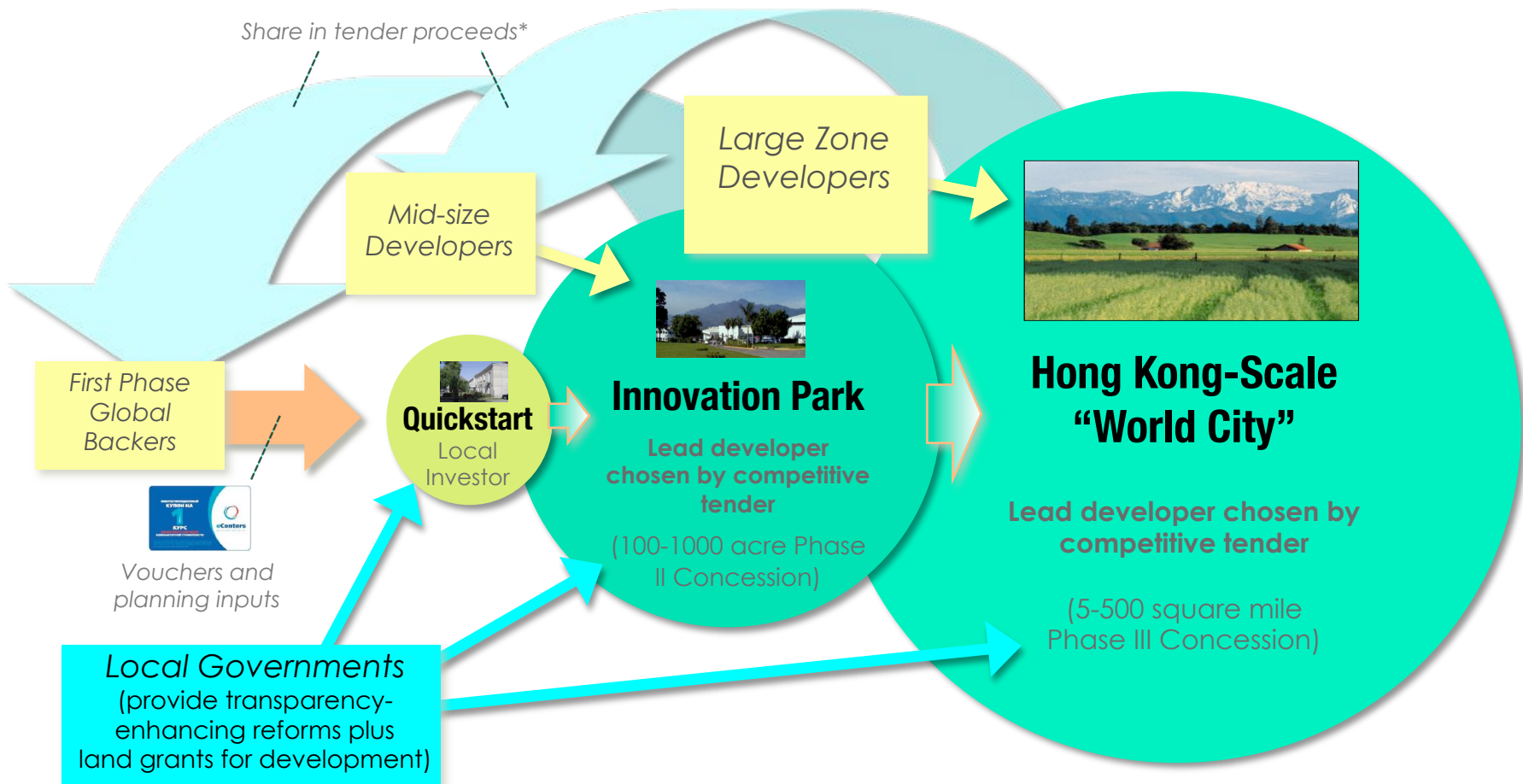
Challenge offers can ensure early wins for people in poor communities. Moves by local allies to advance free market reforms can earn “Freedompoints” convertible to immediate grassroots benefits. Freedompoints can be redeemed for microvouchers to access skills, Internet coupons to access telemedicine resources, introductory experiences in online free markets, introductions to investors -- and stakes in success-sharing free zones.

Actions that earn increased flows of virtual resources



How Challenge Offers Awaken Assets

Success-Sharing Development Partnerships



* Early backers of free zone development -- private investors as well as local and global good causes -- receive shares in concession income from incoming developers of success-sharing free zones

How Challenge Offers Awaken Assets

What earnings have come from global tenders and auctions of land at world-class free zones?



LAND VALUE UNDER THE HONG KONG PUBLIC LEASEHOLD SYSTEM

Yu-Hung Hong

Capturing Land Value

Previous research shows that the government could generate a substantial amount of revenue from public land leasing (Hong 1995; 1998). Between 1970 and 2000 the total lease revenue amounted to US\$71.1 billion (in constant 2000 U.S. dollars). Adding the amount of revenues collected from rates and property tax to the total lease revenue increased the balance to US\$96.1 billion.* The rapid increase of property values in Hong Kong could explain, in

US\$ 71.1 billion
in land lease
earnings
(Hong Kong from
1970-2000)

Source: Lincoln Institute for Land Policy

Next Steps

- **Discussions have begun** with sponsors and local partners interested in creating new Hong Kongs, Singapores, and Dubais
 - **Global foundations, NGOs, campus groups, and online volunteers are key allies** to assist early-stage Quickstart free zone initiatives
 - **Beneficiaries of 5-20 fold land value gains can include local residents and workers**, as well as Openworld's early-stage partners
 - **A share from each project's success can help fund further challenge offers**, providing a sustainable "pay it forward" path to help impoverished people secure the gains of freedom
-

Next Steps

A Self-Funding Cycle to Awaken Assets for the Next Four Billion



**In addition to Microvoucher funds, donors can also provide how-to assistance, eGovernment software solutions, and other online resources promoting transparent business climates*

Next Steps: 2008-9 Milestones

2008		2009			
Q3	Q4	Q1	Q2	Q3	Q4
Confirm					
Confirm global sponsors, alliances					
Complete Quickstart eAcademy/free zone toolkits, portals for "early wins"					
Deliver Round I Challenge resources to Openworld projects in Africa, Asia, and the Americas					
Partner with investors to design and launch a global "Success-sharing Free Zone Fund"					
		Publicize new Challenge Offers and select Round II projects			
				Partner with global real estate firm and promote free zone development tenders	

Next Steps

We welcome your early inputs to advance free market breakthroughs for the next four billion!

- ▣ www.openworld.com
- ▣ www.openworldinstitute.org
- ▣ www.entrepreneurialschools.com

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