

# **Barefoot Innovation Podcast with Kosta Peric, Deputy Director, Financial Services for the Poor Bill & Melinda Gates Foundation**

**\*Note that transcripts may contain errors.**

Jo Ann: We have a fantastic show today because my guest is Kostantine Peric, Kosta Peric, who is the deputy director for Financial Services for the Poor at the Bill and Melinda Gates Foundation. Kosta, I'm so excited to have you with me today.

Kosta Peric: Hello, Jo Ann. And I'm so excited to be here with you.

Jo Ann: So we have known each other for a long time, and we recently both participated in the Vaduz roundtable in Liechtenstein run by Prince Michael of Liechtenstein, whom we've had as a guest on the show before as well. And I often know a lot about what you're doing but I was so fascinated by the update, the presentation that you gave at that conference that I really wanted to get you on the show to share all of that with our listeners. So, welcome to the show. And let me start by asking you to tell us about yourself, your background and then what you're doing now.

Kosta Peric: Thank you, Jo Ann. So indeed, as you mentioned, my main occupation is deputy director in the strategy called Financial Services for the Poor at the Bill and Melinda Gates Foundation. I'm also the chairman of the board of the Mojaloop Foundation and board member of the Interledger Foundation, which I'm sure we'll mention. So I wanted to make sure as a disclosure to mention that, and by the way, all opinions today are mine.

Jo Ann: I would just say we've also done a show with Mojaloop, so we'll link to that in the show notes as well.

Kosta Peric: Perfect, yes. So my background, I kind of say, I like to be at the intersection of innovation, finance and technology, and that's been the hallmark of my career all the time. My current job here at the Gates Foundation, I took it about eight and a half years ago, after a long career at SWIFT, where notably I was the chief architect for the SWIFT network, which is the current version of their technology. And also I created this innovation initiative of SWIFT called Innotribe and to foster innovation in the financial industry around SWIFT notably also with a big focus on technology startups and that initiative, and many of its shows at Sibos were greatly appreciated. And basically that's how I connected actually with the Gates Foundation, because one particular topic that we kind of took upon was financial inclusion at some point in time.

And in learning about this and investigating about it, I connected to a whole set of new people, including the people at the Bill and Melinda Gates Foundation. And eventually they asked me to join and do this full time, and that's where I joined back in 2013. And the idea was that I would bring from SWIFT expertise on essentially digital payment technology. And it turned to be quite interesting

because I came from a world dealing with trillions of dollars for interbank transactions and started paying attention to 20 cents transactions to serve the poorest. So it was quite an interesting transition that is still going on learning. I'm learning a lot every month, every week. So, yeah, that's a little bit of the background.

Jo Ann: Where did you grow up?

Kosta Peric: I grew up, I was born in what was Yugoslavia, today Serbia, in Belgrade. But when I was 10, my family followed my father to Burundi in Africa. He was a geologist and he worked for the United Nations Development Program. And so I spent my teenage years basically in Bujumbura, Burundi before moving to Belgium to study, to go to college, to university to study computer science. And my parents remained in Bujumbura for some years, then moved on to Tanzania for five, six years before they came back to Serbia.

Jo Ann: And just actually to help set the stage, I think it would be fascinating for our listeners to hear a little bit about your maybe recent travels. I know you just got back to Seattle from a trip. Give us a sense of the way you travel for this work that you do.

Kosta Peric: Yeah, so it was very interesting. This was my first travel since obviously two years, at least professionally, and I packed a number of legs into that travel. So I was gone from Seattle for a month and a half, and it actually helps that we kept our house in Belgium, so I can make travels based for my travels in Belgium, which is much closer to Africa and South Asia where we focus our work. And so it is interesting that... And I went recently to Rwanda because there is quite an interest in Rwanda about digital government, digital payment schemes, digital identity. And I went there for visiting a number of stakeholders that I wanted to see for a while. And what is interesting is that the pandemic we observed that we could follow on existing projects without too much interruption.

New projects are very difficult to do, if you don't go on the ground. And that's what I did. I took actually most of my team there and we stayed, some of us, like almost two weeks to visit a number of stakeholders. And that would be typical. We are helped by an organization called AfricaNenda that we helped create, which is composed of a number of experts in Africa. And they help us in various ways to get these travels done. Yeah. But that's one typical example of how we need to go to the countries where we work to create these new projects and new initiatives, yeah.

Jo Ann: Great. So you have been focused, as you said, on payments. And if we think about the big sweep of financial inclusion effort over the last 10 or 15 years, it's really been heavily driven by connecting people to the payment system through the mobile phone. Talk to us about why payments are the first thing that needs to be done in order to drive for financial inclusion and then about what are the keys to doing that?

Kosta Peric:

So Jo Ann, I always say this, it is actually very expensive to be poor and unfortunate. Why is it so? Because when you only transact in cash, well, you run many risks, security-related, just that the cash gets stolen or lost in any way. You have to travel very often to pay for things. For example, if a mother wants to pay for the tuition of her child, she has to actually travel to the school to give the cash. And that can take a day. Sometimes it could take more. Sometimes you have to pay, so that if someone, if a child of a family, rural family, who works in the big cities sends money back and sends cash, well, he has to give that cash to someone that will transport the cash and that someone may have to be paid.

So a lot of time, lost energy, loss and risk for these households and people. And so the idea of connecting them through the mobile phones that they do tend to have in great majority, 90%, depending on the country, but in 80 to 90% of the poorest in Africa of the 400 million poorest Africans who are unbanked, as we say, do have access to a mobile phone, either their own or a household phone. And so the basic innovation happened about 12 years, 13 years ago with M-Pesa in Kenya, which is the one documented case where they, it was proven that it was tremendously helpful for these households and people to have access to a mobile wallet to pay for things digitally in many ways, including in some cases, getting out of poverty by for example, being able to receive payments for as an MSE owner.

But also equally important M-Pesa has proven that commercial companies can make money in providing this service, but in a very different way than traditional banking, as we know. So that has basically proven the utility of, and worthiness of, the service that's called mobile money. As a result, in Kenya there is in excess of 75% of the people using this service nowadays, but equally importantly, there is more than 300 mobile money operations of various sorts across Africa and Asia, which just proves the fact that this is a service that's useful and that there are lots of companies striving to provide this service and making money doing so. So that's great.

And the goal today is to foster the next wave of innovation because 400 million Africans adults are still unbanked. So we need to accelerate this movement. And the acceleration is done with this next wave of innovation, which in a word can be summarized as interoperability. So making these systems, which are typically silos today, work together between them, but also between the mobile money services and the traditional banks.

And so this notion of instant payment platforms or faster payment platforms is now the next wave of innovation that we are helping drive with country and region stakeholders to deploy such platforms on a national scale, sometimes on the regional scales, to interconnect all of this. A great example would be in Pakistan, the Raast platform that is now operational, and that connects pretty much all of the players, digital and traditional players. And now the next effort in Pakistan now that the platform is there is now to drive volume on the platform because these platforms, if we want them to be self sustainable, they need volume to grow. And that's something I learned at SWIFT. The great circle of the

more volume you have on the platform, the less the marginal cost per transaction it is. And therefore the price to the end consumer decreases over time. That's the virtuous circle that we are trying to help achieve.

The other thing I just wanted to mention as well, payment platforms are hence useful, and the next wave of innovation, the one thing that we need not to neglect by all means is that connecting to the platform remains a problem in terms of traditional KYC processes. And so there we are also helping drive more of a digital identity type of effort where people can get authenticated by biometrics rather than by documents that they don't have. So, these two going in combination.

Jo Ann: Absolutely. Well, that's a great segue into asking you to talk about two of the Gates initiatives that tie to this, including MOSIP and Mojaloop. And start wherever you'd like and telling us about that.

Kosta Peric: Yes. So just a brief background before I talk about these two is how we work and how do we help. I mentioned we help and assist stakeholders such as central banks, bank associations, private sector entities, to create and operate such platforms. And we do it in three different ways, three different and connected ways. One, it's obviously with philanthropic capital. Creating these platforms is something that can be risky, and not very profitable for especially commercial providers. So we help create these platforms with philanthropic capital and once to get them to the point where they can become self-sustainable. So that's one way that we help.

The second way is with technical assistance. This can be relatively tricky in terms of technology and security and cyber to create. So we can provide various sorts of experts and expertise to the projects that are ongoing. And third, and perhaps not very typical for philanthropic organizations is we have created these open source software solutions that we call digital public goods that represent a way for these projects to start faster by benefiting from experiences that other people have gone through. So it allows them to start from a solution that exists rather than reinventing all the wheels. It allows them to benefit from experiences that were gathered elsewhere and not make the same mistakes. And it is free to use because they are open source solutions.

We have helped create these reference implementations and software, and so to put it into open source. And then created the organizations to host the open source communities, notably the Mojaloop Foundation and Mojaloop is the name of the instant payment reference implementation in open source. And so the Mojaloop Foundation is there to host the solution and manage the community around it that creates and continuously creating the solution.

The other is called MOSIP, and this is the digital identity foundational open source solution that is hosted at the Institute of Technology of Bangalore. And so these two solutions are there to essentially allow countries who are not necessarily equipped with the skills and resources as others to benefit from the

same technology and solutions. Yeah. So quite perhaps not very typical for a philanthropic organization to do this, but it's very important and it removes a lot of barriers.

Jo Ann: Talk in a little bit more depth about how they go about this. What's the work that they're doing?

Kosta Peric: You mean in the communities or...

Jo Ann: Yeah, mm-hmm (affirmative).

Kosta Peric: Yeah. So, there is the community around each of these open source solutions does basically two things. One is help manage the code because the code, as any open source code, keeps evolving. Why it keeps evolving because people contribute. As when the software gets used on the ground for a particular purpose, typically new modules, new functions get created. Some of them are generic enough to be put back into the open source. So that's kind of one thing that the community does is manage this. And the community is meeting actually physically in Arusha, Tanzania in a couple of weeks from now. And that's typically where they look at all of the new code that was created and decide what gets back into the solution.

The other thing that they do is to basically help deploy these open source solutions on the ground, in the community. They are commercial companies that can provide various types of services to help out. Notably, typically what we see in projects like there is an ongoing project in Tanzania to create country platform that is based on the Mojaloop code, typically the country stakeholders desire to develop this solution themselves, but they sometimes require some help and that's where the community can step in and provide various kinds of services.

It can go from helping create the payment scheme, which has absolutely nothing to do with the code, but then also can go deep into the code and customize the codes and help customize the codes. So these are kind of the two facets of work in these communities.

Jo Ann: And in calling them open source digital public goods, when we were for the conference in Vaduz, you used the metaphor of thinking of it like a can of tomato paste.

Kosta Peric: Yes, yes.

Jo Ann: Talk a little bit about that.

Kosta Peric: Yes. Yeah, part of my job is to explain complex things in a way that non-technical people can understand. I came up with this metaphor of comparing a digital open source, digital public good to a can of tomato paste, why? One thing about tomato paste is that it's a concentrate, concentration of tomatoes. And that is a

good comparison because as I mentioned, an open source code is a concentration of experience. It's a concentration of the experiences and learnings coming from implementations of these open source software in previous projects. And so that allows essentially the new users to come in and benefit from all of this already.

The second interesting thing about when you look at the can of tomato paste is that you can look on the can and understand the composition, what exactly is inside, which is sometimes very important to understand. And in that same way, a software developer can sit down go on GitHub, download the code, and browse through the code. There is nothing hidden in there, all this open, everything is there. And that is a very important part that leads to openness and even sovereignty issues, because you can imagine when a digital identity or a payment platform gets deployed, well, these are strategic assets of a country, and they desire this to be managed by them fully and not depend on some third parties out of country that may host the data out of country and things like that. So this openness, and this is very important.

And then the third thing that is important in these DPGs, in that they are ingredient. They are not a solution. They are ingredients in the same way that tomato paste an ingredient to a nice dish. The digital public goods are ingredients to this infrastructure that gets built in the country. And that is super important because that means that they own the solution. It's not something that they buy from someone, they depend on someone else to make the changes for them. They have it right there. So, yeah, this kind of better for works well for explaining what an open source DPG is in ways that are non-technical and I noticed it works well.

Jo Ann: Yeah, I remember that. I always marvel when I look at projects like these, and when I look at the work of the Gates Foundation as to how you create an ecosystem shift, because you're talking about interoperable systems, they have to work in both the public and private sectors. They have to work between companies. How do you get people to undertake a project of creating a payment system on a new code foundation like this?

Kosta Peric: That is where you have to go and talk to people because ultimately we are not computer algorithms, we are people. And what it's important, very important to understand what drives, what is the strategic intent and drive of a particular set of stakeholders or a country and so on. When you talk to private sector, in terms of the payment systems, the challenge is to explain how by inter-operating with your competitors, how that helps you. And in a nutshell, it helps because it grows the market. And we have seen that over and over again. I have seen that at SWIFT many years ago, and we can see it as soon as solutions like mobile money operations start interoperating together, we see a growth in the market volume, both measured by rich and volume.

And it kind of makes sense intuitively because imagine if you had a mobile phone and you can only talk to people on the same network, okay, it would be

useful, but like there is a limit. As soon as you open it up, you see the explosion of growth. So that's a very important drive when you talk to private sector companies. And it takes a while for them to understand, because it's actually more than just... it's more than payment interoperability. It's also interoperability of the agents of cash in and cash out. When you do a mobile money operation, it's very important to have cash in cash out points, which are not ATMs, which are not bank branches, which are typically mom and pop shops in markets and elsewhere, where you go with cash. And the owner of the shop can credit your wallet with the equivalent amount or vice versa.

And so interoperability, that means also interoperability in some cases of these agents, and that is a precious asset. And so going through this analysis with the stakeholders and showing them with examples from elsewhere is what helps. If you talk to governments, we didn't need much help to explain, the pandemic did it for us because the pandemic has shown very, very clearly how beneficial it is to have a digital delivery platform for the support and various form of aid to people in the pandemic. And so the pandemic has accelerated tremendously the interest of governments to digitize the mechanisms that they have for so-called G2P payments.

We didn't need much explanation, but that's very clear. We also talk a lot to companies that have a lot of workers for digitizing the wages. We talk a lot about communities of MSEs where the majority of owners are women typically, and the solutions need to be designed for women in mind immediately, because there is a huge gender gap in some countries between access and use of the digital financial services by women as compared to men. And so we always say, "If you don't design for women, then by default, you've designed for men." And so you really have to have these mindsets of helping there.

And then finally, the very interesting domain, which is always close to my heart back from the Innotribe days, is creating innovation on top of these platforms with new form of applications and services that will benefit the poor. And benefiting the poor, you actually have to understand how they live. To give you an example of how different that is a poor household or people who live on less than \$2 US a day, you may imagine that they don't have a financial life. Actually, they have a super complicated financial life. They do a lot of small transactions. Why? Because they can buy only so much of a certain thing at a particular time of a day, right? And then they may sell some goods and buy more of butter or milk or vegetable later.

And so designing a system for that to process huge amounts of very small-amount transactions is very important. There is a service, for example, innovative service called Solar pay-as-you-go where people can lease essentially a solar battery, which if you were to buy it right off, would be a huge expense that many of them will not be able to afford, but they can pay back. They can lease it and pay back with very small amounts every day with mobile money. Eventually they will own the battery.

So there is a lot of innovation in terms of how people can benefit from these payment platforms. And the best innovation always for me is when the payment disappears from the picture like Uber, you walk out of the car, you close the door, you walk away, the transaction happens behind the scenes. That's where success lies ahead. Fostering this innovation, getting people startups, interesting, is very important, but it's also very important to have a efficient payment platform to support all of that. So it's a very... So all of this, sorry to belabor a little bit, but it's a very complex picture of creating something of that scale in a country or region.

Jo Ann: Can you sort of paint the landscape for us? Where are we on the journey? If we are on a journey of moving from poor people relying on cash to gradually having a system that really works well for everyone, the whole Global South, like where are we along that path and through some of the, maybe outstanding... some of the first successes that we are seeing?

Kosta Peric: So I would say when you have this curve of innovation from Gartner or others, you have the first invention, and then you have the hype, and then you have the fold because a lot of problems in anything, and then it goes to scale. I think we are now at leveling off after the original creation of mobile money and successes, we are now... We know that this innovation work has been now refined, interoperability now is kicking in, and now we see that scaling is beginning and that's where I think we are. And it's very exciting because you can see that this works. You can see that all of these works so far done by the pioneers of mobile money. And you know, now the pioneers of the faster payment platforms and digital payment platforms, all that work is bearing fruit and now we can see how the scale is building up.

There is an interesting chart from the World Bank. Even the World Bank has a resource about faster payment systems, and you can see also they have an inventory of instant or faster payment platforms around the world. And you can see that the number, the curve of growth of these type of systems is following pretty much 20 years ago the curve of growth of RTGS's. And so, yeah, it's a very interesting... I'll send you the link to that resource so we can [crosstalk 00:34:54].

Jo Ann: Yeah. I'd love to put that link in it.

Kosta Peric: Yeah. Yeah. Very, very important resource from the World Bank who we work with closely as well as can be totally understood. Yeah.

Jo Ann: And another question I have about it is, is it difficult to get people to trust using open-source tools? I find that with a lot of the financial regulators that we talk with, there's very little experience with open source and there's sort of an instinctive, maybe mistrust of it as to whether it's secure and so on. How do you address that?



Kosta Peric:

Yes, there is distrust and there is no magic touch that takes this away. It's very important to engage in a discussion and show. And by the way, some organizations will still prefer to go with commercial solutions. And that is okay too. I mean the work that we do, we will help whether we will assist as I mentioned, whether the stakeholders choose whatever the technology they choose. So that's... So we are not here pushing for a particular technology solution. I never, my rule is we never provide solutions. We help. Solutions are provided by stakeholders. That's a very, very important rule that we follow strictly and very thoroughly. And so there are some arguments pro and against open source as usual.

And it's important that you lay them down in terms of a particular project, but there are some easy things to demystify as well. For example, some people say that because the source, the code, the source code is there for everyone to see, people can analyze and find hacks into the platforms. That is understandable that people can think so, but in reality, it's very rarely the case that this happens because obviously, as I mentioned, the open source is an ingredient to a solution and the solution contains operational and security and resilience measures that are very important, and that are ingrained in my mind since my SWIFT dates.

So, yeah, so that's an easy way. It's an easy argument to demystify and answer to. There are some more difficult answers, for example, people say, "Well, I will go with a commercial solution because the commercial company can provide to me the support I need and that I can call them, can do Mojaloop or MOSIP, or other communities provided that service. And that is a trickier, trickier thing. So that's typically where open source solutions may lag a little bit. And then it's important to sit down with the stakeholders and look through their requirements. And then the community can, in most cases, find a solution. So not easy, it's a discussion. There is no master argument for or against open source. It's really as usual, when you have a decision to make, you sit down, you make your pluses, your minuses. Yeah. And you decide.

Jo Ann:

Yeah. But there is such power in it. The fact that it's free. And as you say, that you can learn from others instead of inventing everything from scratch all the time. Huge advantages.

Kosta Peric:

Exactly.

Jo Ann:

Let's talk a little bit, you touched on the fact that MOSIP is working on the identity issues. Let's talk about the role of digital identity in the progress that you're driving here and what the solutions are there.

Kosta Peric:

Yeah. So as I mentioned, one of the key barriers to financial inclusion is that the people who we strive to help and connect to a financial system typically have no required documents for a traditional bank account. They don't have an address because they live in a slum maybe. They may not know their birth date because there is no paper trail. Their affiliation. So the only way in many cases is for the

village elder to say, "Yes, I know this person and he's from this village," but that's not enough, right?

And so I think India has shown the way here with their Aadhaar system, which is essentially based on biometric identification, fingerprints and iris scans. And they have managed to enroll in excess of a billion people to that system. And I think that's... However and there are some critics of Aadhaar, and there are proponents of Aadhaar, which have some very specific India-based arguments.

Nevertheless, the fact is that enrolling a billion people to a system is a huge feat and success that has done. And MOSIP is partly modeled on Aadhaar, but it's not Aadhaar. It's really a foundational open source system that contains all this enrollment aspects, but also the aspects of actually authenticating someone, and authenticated in a way that is precise and not overwhelming. So for example, the typical example is if you want to know if I'm 18 years or older, well, it's enough for the system to say yes or no. They don't need to know who I am and where I was born and all these things that if I show my ID card or document, people may know now about me. While this system can just say yes to the question of, "Is he 18 or older?" The answer is yes or no, and such things.

These are very important aspects of in our world of increasing privacy concerns, it's very, very important that a foundation of the ID platform respects these privacy requirements, both on the people side, the user side, but also government side and operator side. So, very, very important aspect, and we can see many countries embarking deploying such systems or interested in deploying such systems.

Jo Ann:

We will link in the show notes to an episode we did with Sanjay Jain on the Aadhaar system. Really fascinating. I know we're going to run short of time. One thing I wanted to say on digital ID is that, am I right that the identity issues are particularly significant for women. They're less likely to have a formal credential.

Kosta Peric:

Yes, that is very true. And I'm happy that you mentioned this, Jo Ann. This is very true. Women tend to be, when talking about digital in general, not even payments or identity, but generally speaking, digital technology, women tend to be disadvantaged because they may not have a phone. They may have to use their husband's phone. They may be less financially educated to understand what the system does. They may have requirements. There are requirements that pertain to them that needs to be taken into account. Like I remember in Pakistan, the case that it is very inappropriate for a woman to give her phone number to a man. But if you want to do transactions with mobile money, you have to do so.

So there was a need to invent another solution for this, like a non-significant number that can be provided that is a synonym for the phone number, but that she doesn't have. And lots, lots of sometimes very small details, sometimes fundamental design issues that women have to do. And as you know, I don't know if you know, but the Bill and Melinda Gates Foundation, we have a huge

gender focus, particularly in everything that relates to digital systems being rolled out.

Jo Ann: I do. I am aware of that. And we also did a show with Greta Bull, who is now at the [crosstalk 00:45:11].

Kosta Peric: Yes. She worked in our gender quality division. Yeah.

Jo Ann: Exactly. So I know we're going to run short on time and we have so much to talk about. One thing I want to ask you is how do you see Central Bank digital currency potentially helping, harming, complicating, simplifying what you're trying to do?

Kosta Peric: Yeah. In a nutshell, there are two answers to this. One is wholesale CBDCs and one is retail CBDCs. Wholesale CBDCs are hugely interesting and important, both in domestic payment platforms in essentially increasing... reducing the settlement time between stakeholders and providers by working directly in CBDCs rather than more cumbersome systems that may provide settlement intraday, for example, which is hugely risky. And that's probably a subject for a whole show about how that works.

And then there is an interesting, also use case for CBDCs for cross-border transactions between instant payment platforms. And I would certainly point to the monetary territory of Singapore and the BIS as kind of leaders in this thinking, the MAS is advising the Mojaloop Foundation, and the Mojaloop Foundation is creating a center of expertise in Singapore for wholesale CBDCs in support of financial inclusion. So hugely important on the wholesale side of things.

On the retail side of things, experiments are ongoing, notably, as you know, in Nigeria with the eNaira, with the Sand Dollar. And we are closely following these experiments to see if this brings value in addition to mobile wallets that are currently being used. The game is really open on this. The true value that retail CBDCs could bring are for offline transactions, which could be very useful, but none of the current implementations provide the offline capability yet to my knowledge at the time we're speaking, but this is moving super fast.

So while we are talking, but yeah, so the game is really open on retail CBDCs. My personal... I'm taking a lot of interest personally, because it is important for us to understand. I always have said it is very important to keep abreast and understand where technology is heading so that you can understand what you can use from it, for your benefit. And so I'm very, very closely following not only CBDCs, but the more general DeFi aspect of things, which is moving very fast and just keeping abreast and seeing if we can... if some of that would be useful, but right now it's learning and monitoring.

Jo Ann: Yeah, me too. It's a challenge to keep up. It's-

Kosta Peric: It's a challenge to keep up.

Jo Ann: It's just one of the things. The change is incredible. That's a good segue. Were you going to say something?

Kosta Peric: No, no, no, go ahead. I was going to ask you, did you create your first NFT yet or no?

Jo Ann: I have not. Have you?

Kosta Peric: I did. It's actually quite easy.

Jo Ann: Tell us about it.

Kosta Peric: Well, you go on... I like my to kind of draw as a hobby to illustrate some of my work and so on. And so I figured, hey, why not create an NFT with one of these? And I went to open and see and it was relatively straightforward to create it. I didn't put it up for sale because it was more for just to understand the technology as we were just saying, but it's an interesting experience. I don't think you can learn about NFTs if you actually don't go and create one yourself and understand more deeply how that works. And the same can be said with the contracts on Ethereum and things like that.

Jo Ann: Yeah. So you're inspiring me. Maybe next time I see you I'll be able to say that I have done that.

Kosta Peric: Okay.

Jo Ann: That's fantastic. I was going to say this is a good segue into talking about how innovation can change the culture of large organization. And I know this is something you've given a lot of thought to, including with your work at Innotribe. And then in turn, how that can drive financial inclusion. Talk to us about that.

Kosta Peric: Yeah. So, this is, I mentioned earlier that we are not algorithms, we are people. And as people, it's very important to understand the motivations and how people work if you want to do innovation. And I have numerous examples where I have observed a board and the CEO of a bank saying, "Yes, we should go ahead and create a new business line for financial inclusion.' And to my knowledge, all of this has miserably failed. And why is that? Because the board decides this, the CEO, maybe the executive committee decides we should do this, but then they try to percolate this down to the reporting lines and the line managers and all of them are not incentivized typically for innovation. You know, none of them will wake up following this announce from the CEO and saying, "Oh, I'm going to change my unit or organization drastically so now we can do this new line of business." See it just doesn't work like that.

And they have tried to kind of shove down this, the organization, and it just simply doesn't work because the incentives are not aligned for people to actually follow this. The tools are sometimes not provided and so on. And so what can be done? The one thing that I observed works sometimes, not always, but sometimes, is this again, a metaphor now that I love metaphors, the castle and the sandbox. So, create a sandbox outside of the castle. If you think of your large company as a castle, and it is rightly so protected and well run and well oiled machine and so on, but that well oiled machine is not ready to accept disruption and new things.

So create a sandbox. Take people out of the castle and give them a different environment with different incentives, sometimes different technology, different processes. Let them do it their way, and then observe what happens. If it's a success, you can try to bring it back to the castle, or the castle can follow what's in the sandbox. There are many variations on this game, but I have observed that works. That can work. Not always, but you have a fair chance of doing it this way than that way. And you know, we have talked about this before. That works also in regulators, the FCA in England and others have created sandboxes to basically foster innovation, but in a way that is risk-controlled and managed and in a way that is not disruptive immediately. And that removes fear in people's mind, because it's not that people don't want innovation, if you talk to...

Typically if you take 10 people in an organization at random, probably 6, 7, 8 will say to you, "Yeah, I have ideas of how to do the work better," and so on. But there is no way, there is outlets for this innovation to actually happen. And Innotribe, in a way provided this outlet in some way, shape, or form, and we have seen some products and services and even outside of the company, more in the community, this whole connectivity issue that was created between the startup world and the established banks, which is now taken for granted. But back then a bank CEO never heard of startups or met, God forbid, like a CEO of a startup.

And we created that sandbox for that as well. So, yeah, that you see, it's managing people's fear and risk and giving an outlet for creating innovation that actually gives a chance to do it. And then you can judge on whether it's a success or not. So yeah, that would... But forcing innovation down the lines, I know that doesn't work. I have seen it many, many times now.

Jo Ann:

Yeah. I am remembering that one year before the pandemic, after the conference in Vaduz in Liechtenstein, you and I had to leave during the dinner and take a car back to Zurich, because we both had flights out. And I don't remember how long it was. We had a very long drive together and a very, very long talk. And I remember being so fascinated by your stories. So I want to ask you maybe to close out with whether you can share a concrete story of some success or some breakthrough from your years of work that that could be a note we can end on.

Kosta Peric: Yeah. You know, I mentioned the project in Pakistan, the platform that's called Raast, that is now operational. I vividly remember the meeting I had. This must be 2015, probably. I was in Islamabad and I was given 15 minutes to see the governor of the Central Bank, the state bank of Pakistan back then, to tell him about financial inclusion. So I had 15 minutes. And you know, in the 15 minutes you have the five minutes of chit chat and you know, "Glad to see you," and so on. So basically it went down to 10 minutes.

And I showed him one slide. And I remember I never went with slides in these meetings like computers because the time to set up and it doesn't work and so on. So I had like one laminated slide in plastic that I worked, that I could put in front. And in 10 minutes, the governor said, "This is very interesting. We need to follow up on this." I was fully expecting for him to take a quick look at this and gently send me away saying, "Thank you for coming." No, that became actually the trigger, the spark that triggered a long history that culminated, and it's not over yet. As I mentioned, the platform is operational, but now the usage has using the platform. But here we go. These 15 minutes were great. Great success. And I vividly remember, actually I vividly remember the setup as well of the room there.

Jo Ann: And I wonder how many millions of people's lives are better as a result.

Kosta Peric: We hope that 200 million people will benefit from this platform.

Jo Ann: Yeah. That's amazing. Where can people learn more information about what you're doing?

Kosta Peric: So the methodology that we use is called Level One Project. So there is a website called [leveloneproject.org](http://leveloneproject.org). Mojaloop. The link is [mojaloop.io](http://mojaloop.io). MOSIP is [mosip.io](http://mosip.io). The World Bank site, I will send you, I don't remember by heart. That's would be a good start. I think that's already quite another reading.

Jo Ann: That's fantastic. And I know our listeners will be really interested in following up. Kosta Peric, thank you so much for being our guest today. It's been fantastic.

Kosta Peric: Thank you, Jo Ann, for hosting me. Talk later.