Philanthropy Impact

Exploring the role of philanthropy as part of wealth management

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Social investment landscape in Asia

This edition of the magazine explores the progress of social investment in Asia.

Asia is currently awash with enthusiasm for social entrepreneurship. Indicators of which are the phenomenal growth of the Asian Venture Philanthropy Network (AVPN) and the fact that Asian governments are demonstrating their faith in social investment not only with ancillary services but with cold, hard cash.[1]

As Mark Salway points out in his article:

- The market for social investment is growing around the world. A global survey of investors found that respondents had committed US$10.6 billion to social investment in 2014 and intended to invest 16 per cent more – $12.2 billion – in 2015. Early indications in the UK are that this rate of growth has then continued, if not accelerated, in 2016/17.
- In Asia, we are seeing that social investment is helping scale social business. Organisations such as AVPN, say that their members alone have deployed over $2.3bn capital. We are seeing a social investment ecosystem developing through such organisations as GIIN, Omidyar Foundation, Acumen, and Ashoka. This is a rapidly growing, vibrant community.
- Meanwhile the Transformational Business Network is launching its second Asia conference in Jakarta on 14 September and believes that the tipping point has now been reached whereby people are making their investments and really taking social investment forward.[2]

One example of how social investment is being taken forward is the work being done by Tao Zhang. In 2012, he helped an impact accelerator organization called New Ventures to successfully transition out of the World Resources Institute (WRI) with the objective of giving all local and regional centres independence to move into their next phase of development.

Around the same time, with initial support from a Hong Kong-based family foundation and a few high-net-worth individuals in mainland China, Tao co-founded the China Impact Fund (CIF) as China's first impact investing vehicle for environmental small and medium-sized enterprises. A couple of years later, Dao

continued on next page

Ventures was formed as a China-US consortium of various entities, including CIF, to encompass both China-based and cross-border impact investing.[3]

To better understand how philanthropy is developing across Asia, Rob John has been involved in a series of research studies at NUS Business School in Singapore. This year they published a report comprising 23 case studies that explored how businesses in Asia are experimenting with innovative ways to provide financial, intellectual and human capital in support of high-potential non-profits and social businesses.

He adds: "Our working definition of corporate philanthropy is intentionally generous to encompass far more than traditional grant making. We view corporate philanthropy as 'a business using its discretionary financial and human resources for primarily social impact, recognising that benefit might also accrue for the company's shareholders and employees'."[4]

However, as Martina Mettgenberg-Lemière points out, "the social economies in Asia differ in their levels of maturity, from nascent to mature as shown by the case studies we have curated. These vary from social economies boasting social impact bonds (SIBs) such as Korea and Japan, countries of huge diversity and 1 billion+ inhabitants such as China and India, through to helping South East Asian leaders from Thailand, Vietnam and Cambodia."

The Editor

[1] *Asia's Embrace of Social Enterprises: Governments Lean In Ruth A. Shapiro and Mehvesh M. Ahmed. Additional research contributed by: Heesu Jang (see full article on page 8)*

[2] *The growing appetite for social investment Mark Salway (see full article on page 13)*

[3] *Practitioner's Perspective on Impact Investing in China Tao Zhang (see full article on page 11)*

[4] *Rob John https://about.me/robjohn (see full article on page 6)*

Philanthropy Impact

Vision: A world where individuals and families engage in philanthropy and social investment, supported by advisers.

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Chief Executive and Editor: John Pepin

Co-Editor and Administration, Communication & Events Officer: Cecilia Hersler

Philanthropy Impact,
CAN Mezzanine, 7-14 Great Dover Street
London SE1 4YR

T +44 (0)20 7407 7879

www.philanthropy-impact.org

@PhilanImpact

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Social investment as a vehicle to achieve sustainable development goals

Martina Mettgenberg-Lemière, PhD *www.avpn.asia*

Martina Mettgenberg-Lemière

Following the recent Asian Venture Philanthropy Network (AVPN) conference in Bangkok – the largest gathering of social investors in Asia – AVPN has launched its latest research Social Investment Landscape in Asia. The report serves as a guide for social investors to maximise their impact whether they are philanthropists, impact investors or corporations engaged in corporate social responsibility (CSR). It is a holistic study of current Asian philanthropy and social investment across 14 markets in North, South and Southeast Asia.

As efforts to alleviate the most pressing societal issues gather pace across the world, social investment presents a pathway towards sustaining such efforts by leveraging on the increase in private wealth for social good.

Highlighting areas for impact

To identify where the needs are and where social investments can maximise impact, the report outlines development gaps mapped to the UN Sustainable Development Goals (SDGs). The progress made by

Country	SDG Rating																
Singapore	Green	Red	Orange	Green	Orange	Green	Green	Green	Green	Grey	Orange	Orange	Red	Red	Red	Red	Orange
Japan	Red	Orange	Orange	Green	Red	Green	Red	Orange	Green	Orange	Orange	Orange	Red	Red	Red	Orange	Red
China	Orange	Red	Red	Green	Orange	Orange	Orange	Green	Red	Red	Red	Orange	Red	Red	Red	Red	Green
Malaysia	Green	Red	Red	Orange	Red	Green	Orange	Green	Red	Red	Orange	Red	Red	Red	Red	Red	Orange
South Korea	Orange	Orange	Red	Orange	Red	Red	Red	Green	Green	Orange	Red	Green	Red	Red	Red	Orange	Red
Thailand	Green	Red	Red	Orange	Red	Orange	Orange	Orange	Red	Orange	Red	Red	Red	Orange	Red	Red	Orange
Vietnam	Orange	Red	Red	Orange	Orange	Orange	Red	Red	Red	Orange	Orange	Red	Red	Red	Red	Red	Orange
Cambodia	Orange	Red	Red	Orange	Red	Red	Red	Red	Red	Orange	Red	Red	Red	Red	Red	Red	Orange
Phillipines	Red	Red	Red	Orange	Orange	Red	Orange	Red	Red	Red	Red	Red	Orange	Red	Red	Red	Red
Indonesia	Red	Red	Red	Orange	Red	Red	Red	Orange	Red	Orange	Red	Red	Orange	Red	Red	Red	Red
India	Red	Red	Red	Red	Red	Red	Red	Red	Red	Orange	Red	Red	Red	Red	Red	Red	Orange
Myanmar	Grey	Red	Red	Red	Red	Orange	Red	Red	Red	Grey	Red	Red	Orange	Red	Red	Red	Red
SDG GOAL	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

individual countries towards SDG goals and targets serves as the starting point for a snapshot of each country. As progress made towards the 17 goals varies, the SDG dashboard indicates areas where social investors can create the most significant impact, both geographically and cause-wise (see Figure 1).

Environmental issues remain uniformly problematic across countries. Emerging economies such as India, Cambodia, Myanmar, Indonesia, Philippines and Vietnam have to address challenges in water and sanitation, health care and education. Developed economies meanwhile need to address growing inequalities, declining workforce, labour productivity and in some cases, gender inequality.

NGOs and social enterprises across Asia

Social investors invest in solution providers where they exist. The social economies in Asia differ in their levels of maturity, from nascent to mature as shown by the case studies we have curated. These vary from social economies boasting social impact bonds (SIBs) such as Korea and Japan, countries of huge diversity and 1 billion+ inhabitants such as China and India, through to helping South East Asian leaders from Thailand, Vietnam and Cambodia.

Social Impact Bonds in South Korea and Japan

South Korea is one of the most advanced social economies in Asia. In 2014, the Korean Social Investment Fund (KSIF), the Department of Women and Family Policy, and the Seoul government, partnered to launch a SIB with its proceeds going to child welfare services over three years to a total of US$9.4 million (KRW 10 billion).

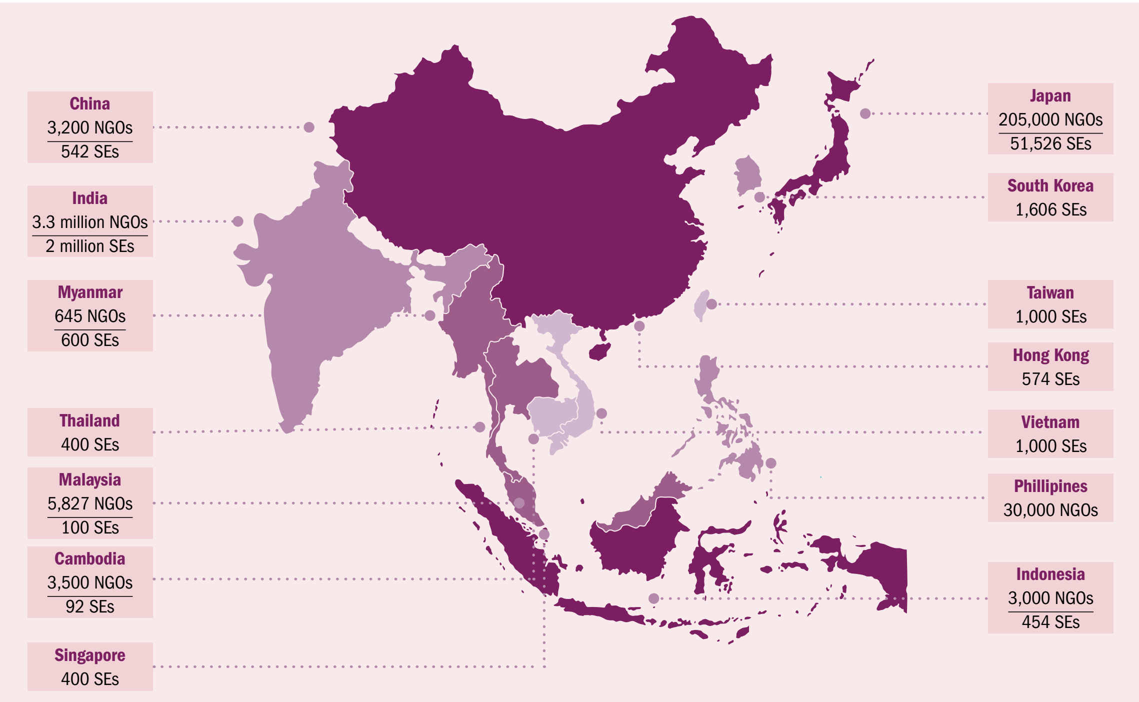
In Japan, the Nippon Foundation has been providing grants to pilot SIBs since 2015. These address multiple issues such as:

- Dementia prevention in the cities of Fukuoka and Kumamoto
- Family care environment for children who require protective care in Yokosuka city
- Employment for youths in Amagasaki city.

Indian and China

India faces many societal challenges. There is an active impact investing landscape in India; as of 2016, US$1.6 billion of capital was invested in 220 impact enterprises of various growth stages, with high investment concentration in Western and Southern India. It has also been concluded that health care, agribusiness, clean energy and financial inclusion are the leading sectors.

Philanthropic foundations are adopting venture philanthropy approaches to meet the SDGs. This includes Tata Trusts with a variety of specialisations, such as education, health care and nutrition, rural livelihoods, and natural resources management. Edelgive Foundation, on the other hand, primarily invests in women empowerment, livelihood and



education, while Bharti Foundation's primary emphasis is on the education sector.

In mainland China, issues around ageing, agriculture and climate appear to be most pressing. The government has initiated numerous activities in these areas as well as starting legislation for easier fundraising and providing tax concessions for charities through the Charity Law. There is no legal registration for social enterprises and they can register as commercial entities. New wealth has led to an increase in philanthropy with over 60 per cent of under-30 high net worth individuals (HNWIs) and over 70 per cent of people above the age of 45 giving back to local causes. Education was a key focus area for giving, while energy ranked last despite the need to boost climate action.

Thailand, Vietnam and Cambodia

These adjacent social economies have vastly different contexts, issues and ways of tackling the societal issues they face. Thailand has experienced rapid growth from a low-income country to an upper-middle income country in the last 30 years. Formal registration of social enterprises to be enshrined by law is being contemplated and the Thai Stock Exchange plays a role in advocating for CSR. Education and energy access are pressing issues. Yet, Thai philanthropy is marked by a focus on giving to family and religious foundations in an *ad hoc* way. Impact investing remains to be developed due to a lack of investable pipeline.

The Socialist Republic of Vietnam has been transitioning to a market economy since 1986 powered by an increasing focus on manufacturing and services. Health care and sanitation, labour productivity and environmental preservation are key issues. The Vietnamese government is following through on these aims. The social entrepreneurship ecosystem is young but flourishing with the government legally recognising social enterprises and around 1,000 being registered nationwide. Corresponding social investment is marked by home-grown impact funds such as Lotus Impact Fund and Evergreen Labs, but institutional giving and the CSR landscape remain nascent.

Cambodia by comparison emerged from decades of turmoil in 1993 and is now a parliamentary constitutional monarchy of lower middle-income status. Health care, water and sanitation and education are among the basic needs in Cambodia. While the government has set its aim on fostering growth towards an upper middle-income economy by 2030, international foundations such as ADM Capital Foundation and the Cambodia International Education Support Foundation are working

on changing the mindset of NGOs to foster transparency, governance and effectiveness. Impact investors such as Insitor SCA, Uberis Capital and ARUN LLC play a role in building the pipeline through capacity building and fostering a focus on impact.

Conclusion

While different countries are grappling with their own set of societal issues, the SDGs provide a comprehensive and far-reaching set of universal goals and targets. Regardless of social economies' varying stages of development, the SGDs collectively shape a sustainable, equitable and resilient future for all nations. This encompasses three interrelated dimensions – economic, social and environmental.

AVPN's *Social Investment Landscape in Asia* provides a useful resource to help social investors to deploy towards high-gap SDGs and to maximise impact where it is most needed.

For more details, check out the full two-book report here.

Korea Social Investment Fund: Supporting social enterprises

The Korea Social Fund is a USD 50 million fund with a USD 3 million contribution from the private sector. It was set up by the Seoul Metropolitan Government in 2012. The Fund provides low-interest and no-interent loans to SEs, invests in social projects and Social Impact Bonds (SIBs), and fosters partnerships between SEs and intermediaries.

Martina Mettgenberg Lemiere *is Head of Insights and Capacity Building at AVPN's Knowledge Centre.*

She has over 10 years of experience of leading applied research for businesses and non-profits with a focus on human capital, education and impact. Most recently in Singapore, she led projects at INSEAD and the Human Capital Leadership Institute and concurrently mentored students in entrepreneurship and financial literacy at the micro-business school Aidha in Singapore. Previously, she worked in business research and consulting in India for Evalueserve and other organisations, particularly focusing on banking and financial services. She also taught at the Universities of Manchester and Sussex and worked as an independent consultant for NGOs and investment agencies in London and Manchester in the UK.

She holds a PhD from Manchester Business School and an MSc and BA (Hons) in Anthropology from the University of Sussex and Manchester respectively.

Innovative corporate philanthropy in Asia

Rob John *www.givingcircles.asia www.about.me/robjohn*

Rob John

In a series of research studies at NUS Business School, Singapore we wanted to better understand how philanthropy is developing across Asia. This year we published a report comprising 23 case studies that explored how businesses in Asia are experimenting with innovative ways to provide financial, intellectual and human capital in support of high-potential non-profits and social businesses.

In an earlier issue of this magazine I reported on innovations we had seen in our series of studies on 'entrepreneurial social finance' in Asia. These included examples of strategic philanthropy by family foundations, and the steady growth of giving circles and angel investing for social impact. Our new study draws on case studies from Australia, China, Hong Kong, India, Japan, Singapore and the Philippines.

Our working definition of corporate philanthropy is intentionally generous to encompass far more than traditional grant making. We view corporate philanthropy as 'a business using its discretionary financial and human resources for primarily social impact, recognising that benefit might also accrue for the company's shareholders and employees'.

The case studies cover a wide breadth of innovations, including grant making, skilled volunteering, a development impact bond, enterprise awards, business accelerators, corporate venture capital and the outsourcing of business processes. They all blend financial capital, volunteering and transfer of business know-how. The following are a selection of the report's case studies, illustrating how innovations are disrupting the corporate sector's traditional approaches to philanthropy.

Case studies

Grantmaking: In India new legislation requires qualifying companies to allocate 2 per cent of net profits to corporate social responsibility (CSR), potentially releasing billions of dollars into the sector. But linking this new source of capital with high-potential non-profits is challenging in a country where the non-profit ecosystem is underdeveloped. **Sammaan** was launched in 2015 by the Bombay Stock Exchange as a platform where pre-screened non-profits can connect with the CSR priorities of public corporations. A year after the online platform went live, 209 corporations were actively funding screened projects from over 500 non-profits in 348 towns and cities across India.

The case studies cover a wide breadth of innovations, including grant making, skilled volunteering, a development impact bond, enterprise awards, business accelerators, corporate venture capital and the outsourcing of business processes.

Skilled-Based Volunteering: The advent of more strategic approaches to philanthropy recognises that donating skills is as important as giving a grant. Volunteering is what law firm Olswang calls "the glue that binds an office together". When the firm launched its legal practice in Singapore, pro bono services were offered to social enterprises. All the firm's staff and even its clients volunteer at a soup kitchen and urban allotment. The firm has used its position on trade bodies to advocate private sector support for Singapore's developing social enterprise sector.

Giving Circles: These are rapidly growing in number throughout Asia. The Funding Network Australia (TFN) uses an event-driven, live-crowdfunding model where pre-selected non-profits 'pitch' to a room of potential donors. TFN has commoditised its events for corporate partners, providing their employees and clients with a donating experience that contributes to professional development and strengthens client relationships. Companies that host TFN events sometimes match their employees' donations or offer desk space or volunteer time to young non-profits.

Venture Philanthropy: This approach blends funding and hands-on business advice to help non-profits scale their impact. The charitable foundation of ADM Capital, a Hong Kong-based asset management company, is focused on helping build resilient non-profits working in conservation and the environment in China and Southeast Asia. During its first ten years the foundation has helped build the capacity of 40 local non-profits in 10 Asian countries.

Enterprise Philanthropy: This is the strategic use of grants to support social enterprises in the earliest stages of their development, and so close the 'pioneer gap' where a lack of finance and technical support prevents them reaching the point where they are attractive to impact investors. DBS Foundation builds on the longstanding support its parent bank has given the social enterprise sector in Southeast Asia through banking services. The Foundation provides tiered grant capital and business advice to help social enterprises develop through the three stages of their lifecycle – start-up, growth and scale.

Accelerators: To nurture young enterprises, accelerators provide seed capital, working space and networking. Singtel Future Makers is a four-month accelerator programme for social enterprise and non-profit start-ups in Singapore and Australia. The telecom's senior staff offer regular coaching sessions, video conferencing and technical advice in addition to the company's funding.

Corporate Venture Capital: Companies sometimes invest in other businesses to gain knowledge or novel products, or to break into new markets. Clearview was a small start-up healthcare enterprise that brought high-quality cancer diagnostic equipment to poor semi-urban communities in India. Investment was needed to grow the business to serve multiple locations, which came through partnership with Medipass, an Italian medical equipment company. The resulting joint venture, ClearMedi, has given more poor communities access to low-cost diagnostics, and enabled Medipass to enter the Indian market.

Creating Shared Value: Porter and Kramer developed a framework to enable companies to enhance their competitiveness while "simultaneously advancing the economic and social conditions of the communities in which they operate". Despite criticism, shared value has gained traction with blue chip corporations globally. Ayala Corporation is one of the Philippine's oldest and largest family business conglomerates. The corporation moved "from philanthropy to beyond CSR" to embrace shared value across all its business units, thus bringing clean water, affordable education and financial services to low-income communities.

Conclusion

These and our other case studies illustrate a new wave of imaginative initiatives that unlock the financial, human and intellectual resources of corporations for public benefit. The corporations we profile use grants selectively and strategically, and have developed volunteering programmes that share business skills with non-profits and social enterprises. And beyond the conventional boundaries of philanthropy or CSR, corporations are using investment capital to build businesses that provide goods and services to communities at the base of the economic pyramid.

***Rob John** is an independent philanthropy consultant and researcher based in Cambridge, UK. He has published widely on philanthropy as a visiting fellow at the Skoll Centre for Social Entrepreneurship, Oxford and NUS Business School, Singapore. Rob has helped to build two philanthropy networks – as the first executive director of EVPA and as co-founder of AVPN.*

[1] *Innovating Times for Asian Philanthropy, by Rob John. Philanthropy Impact Magazine, Number 9, Autumn 2015, pages 22 – 25.*

[2] *Corporate Philanthropy in Asia: Innovations that unlock the resources of business for the common good, by Rob John, Audrey Chia & Ken Ito. NUS Business School, Singapore, May 2017. The full report can be downloaded at: http://bschool.nus.edu.sg/Portals/0/images/ACSEP/Publications/acsep-working-paper-no5-ebook.pdf*

[3] *In May 2017 Olswang merged with another firm and was renamed CMS Nabarro Olswang LLP*

Asia's embrace of social enterprises: governments lean in

Ruth A. Shapiro and Mehvesh M. Ahmed. Additional research contributed by: Heesu Jang *www.asiacps.org*

Mehvesh M. Ahmed

Ruth A. Shapiro

Heesu Jang

Asia is awash with enthusiasm for social entrepreneurship, and Asian governments are demonstrating their faith in it not only with ancillary services but with cold, hard cash.

Hong Kong has earmarked up to US$142 million to fund established and start-up social enterprises. Singapore is willing to pour $6 million in direct grants and investment into "a business entity that is set up with clear social goals".[1] South Korea is funnelling $28.3 million annually into the government agency that supports social enterprises, while Thailand has pledged $1.2 million in direct resources. India has announced a gargantuan corpus of $748 million for the India Inclusive Innovation Fund "that will drive and catalyse the creation of an ecosystem of enterprise, entrepreneurship and venture capital, targeted at innovative solutions for the bottom of the pyramid".[2]

Singapore is willing to pour $6 million in direct grants and investment into "a business entity that is set up with clear social goals".[1]

The tricky part here is the degree to which commitments are being translated into action. Although announced in 2014, the India Fund is still designing the specifics regarding the who, why and how of the distribution of this money. Thailand's pledge appears to have remained just that thus far. There is also great variability in the region on what constitutes a social enterprise. The write-up for the India Fund highlights the goal of supporting world-class enterprises that focus on the problems of the poor. This is a broad definition. The South Korean definition stresses the primacy of the social bottom line: "a

1 *Singapore Centre for Social Enterprise (raiSE): https://www.raise.sg/resource/.*

2 *India Inclusive Innovation Fund, a proposal of the National Innovation Council: http://innovationcouncilarchive.nic.in/*

company which performs business activities while putting priority on the pursuit of social purposes". Thailand narrows the definition by stipulating that social enterprises should reinvest profits. However, one thing is clear. A social enterprise must perform the delicate balancing act of meeting its financial obligations while staying true to its social imperatives.

Ancillary support

It is encouraging to see that all of the funds we researched also offer fortifying ancillary support ranging from help with networking and mentoring, to incubation hubs and registration assistance. The key question here is: who is doing the mentoring? Generally, government bureaucrats and officials do not necessarily know what makes a business plan viable. It is important that people with on-the-ground business experience are brought into the mix so that their experience can be brought to bear on projects. In Hong Kong, the Social Enterprises Partnership Program bridges precisely this gap by serving as matchmaker between start-up social enterprises and private sector mentors who work with the teams as they develop their ideas and launch them as businesses.

South Korea goes a step further in creating an enabling ecosystem: by giving priority to social enterprises in government procurement contracts. The rapid rise of social enterprises in Taiwan over the last decade can at least partly be attributed to the strong role of public-private partnerships. Public-private partnerships, if done right, are a deeply effective way of nourishing the creation of the 'fourth sector', the emerging hybrid space that social enterprises occupy. Acting as 'for-benefit' organisations[3] that combine the profit-motivated approach of the private sector with the social goals of the public and non-profit sectors, social enterprises are uniquely positioned to be sustainable and impactful.

And so, it is exciting to observe that while national-level programmes in some Asian countries are still consolidating, support – and innovation – at the state and city levels is mushrooming. The Indian state of Gujarat announced in January of this year that it is making $29.3 million available to enable students to launch 500 start-ups over the next five years, which will include social enterprises. According to the Spring 2017 supplement of the Stanford Social Innovation Review, various cities in China followed suit after Shanghai launched a venture philanthropy fund for organisations to provide care for the elderly. The Seoul Metropolitan Government fully funds an entire chain of intermediary organisations to support social enterprises, from ideation to incubation to investment loans.

[3] *fourthsector.net.*

Dr. Ruth A. Shapiro *is the Chief Executive of the Centre for Asian Philanthropy and Society (CAPS).*

She is also the Editor of The Real Problem Solvers, a book about social entrepreneurship in America. The Real Problem Solvers was published in China with the addition of Chinese social entrepreneurs in March, 2015. She also co-authored the book, Building Energy Efficiency: Why Green Buildings are Key to Asia's Future.

Dr Shapiro is the Principal of Keyi Strategies, a consultancy specialising in increasing understanding and networks between Asia, Europe and the US. Prior to founding Keyi Strategies, she founded the Asia Business Council and served as its Executive Director since its inception in 1997 until May 2007. She is now Senior Advisor to the Council. In overseeing the Council's programmatic initiatives and through her consulting work, Dr Shapiro gained expertise on issues such as corporate social responsibility, scenario planning, education, training and innovation, corporate governance, energy efficiency, social entrepreneurship and Asian regional economic growth and political change.

Dr Shapiro spent the early part of her professional career in the field of international development. Within this field, she held management positions and built new programme areas at the Academy for Educational Development, the Harvard Institute of International Development and Global Outlook.

Dr Shapiro holds a doctorate from Stanford University and Master's Degrees from Harvard University and George Washington University. She completed her undergraduate work at the University of Michigan.

Mehvesh Mumtaz Ahmed *is Research Director for the Centre for Asian Philanthropy and Society. She has extensive experience in research and analysis across public finance, public policy and economics in the non-profit and for-profit sectors. She has worked for the Poverty Reduction and Economic Management Unit at the World Bank, for the United Nations Development Programme (UNDP), and for the New York City Mayor's Office of Management and Budget under Mayor Bloomberg. She has also been an academic, having taught economics to undergraduate and MBA students. Prior to joining CAPS, Mehvesh was working in the strategy consulting and social enterprise space in Hong Kong.*

Mehvesh was a PhD candidate in Political Economy at Princeton University, holds a Master in Public Affairs in Economic Policy from Princeton University, and a Bachelor of Science (Hons.) degree in Philosophy and Economics from the London School of Economics. Mehvesh speaks Urdu fluently and is conversant in Hindi.

Heesu Jang *is Research Associate for the Centre for Asian Philanthropy and Society. Prior to this, Heesu has worked for the United Nations High Commissioner for Refugees in Seoul, and for Bloomberg in Hong Kong. Heesu holds a Bachelor of Arts with Departmental Honors and Cum Laude in Political Science from the University of California, Los Angeles, where he focused on Chinese and Korean domestic politics and foreign policy. He has lived in Korea, China and Hong Kong, and he is fluent in English, Korean and Mandarin.*

The private sector across Asia is also moving full steam ahead in its engagement with social entrepreneurship. Corporate social responsibility (CSR) programmes are increasingly recognising the benefits of partnering with social enterprises. Impact investing and venture philanthropy funds are burgeoning. In India alone, the Ministry of Commerce lists 209 funds offering financing to new business enterprises and, while not all include social enterprises, many do. The government's fund will add to this support.

Raising awareness of social enterprise

A challenge from an unexpected source arises here: social enterprises themselves. Although more government and private funding is available, there simply may not be enough social enterprises yet to receive the funds. Part of the reason is that in places like China and Hong Kong where social enterprises originated as non-profits, many remain small and lack the business acumen to scale up. Another reason is that existing businesses that may operate as social enterprises are not aware of this classification and so do not explore funding available for social enterprises.

Governments must work hard to not only make resources available, but also to disseminate information about these resources and raise awareness about social enterprises. It is worthwhile to look into legislation specifically for social enterprises. This could both incentivise traditional businesses to add social impact to their bottom line, and encourage start-up growth in this space. Heartening as it is to see Asian governments allocate resources to social enterprises, there is more they can do to play the role of a great enabler of the fourth sector.

There is no doubt about the widespread enthusiasm and support for the creation and growth of social enterprises across Asia. Governments recognise that the most important component of government schemes is the availability of capital, especially in the start-up phase of the effort. There is also recognition of the support services required to move social enterprises along the spectrum from uncoordinated innovation to coordinated and effective innovation. Most encouragingly, contrary to how government departments traditionally function, agencies supporting social enterprises are embracing Silicon Valley-style innovation and trying to be nimble in response to needs.

Conclusion

It is still early days and there is much experimentation taking place. As more and more people try their hand in creating new social enterprises, we will learn a great deal and in the process spur maturation of the fourth sector. This, ultimately, can only lead to win-win solutions for a better world.

A practitioner's perspective on impact investing in China

Tao Zhang *www.daoventures.com*

Tao Zhang

I first came across the concept of impact investing when I was a Mason Fellow at Harvard Kennedy School. The concept immediately grabbed my attention as I was seeking something that could professionally leverage both my experience in the business field and my public service background. This explains why not long afterwards I got to lead New Ventures, an impact accelerator housed at the World Resources Institute (WRI) in Washington that supported environmental small and medium-sized enterprises (SMEs) in Brazil, China, Colombia, India, Indonesia and Mexico.

In 2012, New Ventures successfully transitioned out of the WRI with the objective of giving all local and regional centres independence to move into their next phase of development. Around the same time, with initial support from a Hong Kong-based family foundation and a few high-net-worth individuals in mainland China, I co-founded the China Impact Fund (CIF) as China's first impact investing vehicle for environmental SMEs. A couple of years later, Dao Ventures was formed as a China-US consortium of various entities, including CIF, to encompass both China-based and cross-border impact investing.

So far, Dao Ventures has worked with over 1,000 social and/or environmental SMEs in and outside China, and made and/or facilitated investments of over US$200 million into some of these companies, along with its philanthropic affiliate Green Startups Accelerator (formerly New Ventures China). Here below are two of our portfolio companies that both highlight the issues and opportunities related to impact investing in China.

Case studies

Ecofroggy International is a social enterprise in China that provides stationery products made from recycled paper, and environmental education services to China's primary school students aged six to 12. The company generates positive social and environmental impact via design and sales of Ecofroggy-branded products by steering the children's future consumer behavior towards being more ecofriendly. To date, Ecofroggy has provided products and services to over 200,000 Chinese primary school students across the country.[1]

Despite its impact and viable business model, Ecofroggy has not had a smooth ride in convincing investors to loosen their purse strings. At a recent entrepreneurship contest that Ecofroggy participated in, the five judges all expressed heartfelt admiration for its impact but were puzzled at how to properly value and exit from such a venture from an investment standpoint. Obviously, the concept of impact investing has yet to sink in with them, which is not uncommon with mainstream venture capitalists in China.

Compared with Ecofroggy, Landwasher,[2] a waterless toilet company, is a more established environmental SME with more than 100 employees and over 15 years' operating history. In 2013, it was selected as one of the world's 50 most innovative companies by Fast Company,[3] together with household names like Apple and Google.

Success in its domain aside, the company still does not seem sexy enough for orthodox venture investors who have been used to dizzying venture valuations especially in the mobile Internet sector. Fortunately, on top of our impact investment support, Landwasher also benefited from our capacity building and investment facilitation work where, for instance, we once helped raise a $1.5 million debt financing for the company.

Encouraging the growth of impact investing

The two cases both illustrate that impact investing is still a very new concept to the vast majority of local investors in mainland China, who remain very commercially focused in their objectives. In addition, aside from development-focused organisations such as the International Finance Corporation and the Asian Development Bank, there are only a handful of self-identifying social and/or environmental impact investors in China. A few are gaining early traction or establishing a presence on the ground, but actual impact-investing transactions remain comparatively limited, not to mention successful exits.[4]

Over the course of practising impact investing in China, my colleagues and I have noted a growing concern among regionally-active impact-investing professionals that over-hype could be very detrimental to the development of impact investing on the ground. There is a danger to this nascent industry that lack of proven success cases could lead to a perception of 'all talk and no action' on the part of those involved, especially given that the Chinese culture traditionally encourages less talk and more action.

Having said this, it should be recognised that the philosophy embodied by impact investing is certainly not lost in China's traditional culture. The spirit of impact investing could actually be traced back to some of China's traditional cultural concepts such as Ren, meaning benevolence or humanity especially towards disadvantaged groups. Another old Chinese proverb also speaks to an ancient philanthropic impulse: while an underprivileged person should maintain his own integrity, a wealthy person should contribute to the welfare of the society.

There is not enough space here to delve into all the things that impact-investing practitioners need to be aware of in China. For this reason, I encourage interested readers to go to our website and download a China impact investing report[5] that we authored and published in 2012. However, if I have to single out one thing to bring to people's attention, it is the importance of building an ecosystem with the objective of scaling up impact investing in China, if not making it mainstream.

Conclusion

Informed by my experience to date, I have come to believe that an ecosystem involving multiple stakeholders is indispensable to healthy, long-term growth of impact investing and environmental/social entrepreneurship. For impact investing to grow and gain significant traction in China, a few impact funds are obviously far from enough. Further, the ecosystem certainly cannot just consist of social entrepreneurs and impact investors, but also must include venture capitalists, government organisations, policy makers, corporate buyers and professional services firms focused on serving these SMEs.

Impact investing, if properly leveraged by all stakeholders, is well positioned to serve as a catalyst for the positive transformation of China's development model over the coming decades. As Wayne Silby, an esteemed pioneer of impact investing and advisor to Dao Ventures, often says to me, with the global importance and inter-linkages of the Chinese economy, impact investing has the potential to not just change China – it could change the world.

Tao Zhang *is founder and managing director of Dao Ventures, a cross-border impact investment, advisory and accelerator group with co-headquartered offices in both China and the US that primarily consist of ACBridge Global Advisors, China Impact Fund (CIF) and New Ventures Global. CIF is considered China's first impact fund that specialises in supporting environmental small and medium-sized enterprises (SMEs), including companies with an environmental value proposition for the country's Base of Pyramid (BoP) population. Under Tao's leadership, Dao Ventures has worked with over 1,000 environmental and social SMEs in and outside China, along with its philanthropic affiliate Green Startups Accelerator (formerly New Ventures China). Prior to this, he was the Global COO of New Ventures, the centre of environmental entrepreneurship at the World Resources Institute. In this role, he successfully led New Ventures in Washington, D.C. and its local centres (Brazil, China, Colombia, India, Indonesia and Mexico) to double investments into New Ventures companies to nearly $400 million within two years. Before he entered impact investing, Tao had accumulated extensive investment and operational experience at several telecom and high-tech companies, as well as journalism and policy analysis experience at China's state-run Xinhua News Agency.*

Tao received a BA from Beijing Foreign Studies University, an MBA from Wake Forest University, and an MPA from Harvard University as a Mason Fellow. Tao was a columnist for the Wall Street Journal Chinese, with a focus on how to leverage investing to cure environmental and social ills. Tao is a China Fellow at the Aspen Institute and a member of the Aspen Global Leadership Network.

[1] *https://www.daoventures.com/single-post/2016/07/18/Ecofroggy-and-Its-International-Venture*

[2] *https://www.daoventures.com/single-post/2016/03/03/CIF-Portfolio-Company-Case-Study-Published*

[3] *https://www.fastcompany.com/3005390/landwasher*

[4] *Creating the Chinese Dream, A practitioner's guide to impact investing in China's green SMEs, November 2012, China Impact Fund, New Ventures China https://www.daoventures.com/single-post/2013/02/02/CIF-Publishes-Bilingual-Report-on-Impact-Investing-in-China*

[5] *https://www.daoventures.com/single-post/2013/02/02/CIF-Publishes-Bilingual-Report-on-Impact-Investing-in-China*

The growing appetite for social investment

Mark Salway *www.cass.city.ac.uk/faculties-and-research/centres/cce*

Mark Salway

The market for social investment is growing around the world. A global survey[1] of investors found that respondents had committed US$10.6 billion to social investment in 2014 and intended to invest 16 per cent more – $12.2 billion – in 2015. Early indications in the UK are that this rate of growth has then continued, if not accelerated, in 2016/17.

In Asia, we are seeing that social investment is helping scale social business. Organisations such as the Asian Venture Philanthropy Network (AVPN), say that their members alone have deployed over $2.3bn capital.[2] It is apparent that a social investment ecosystem is developing through such organisations as GIIN, Omidyar Foundation, Acumen and Ashoka. This is a rapidly growing, vibrant community.

Meanwhile the Transformational Business Network, which launched its second Asia conference in Jakarta on 14 September, believes that the tipping point has now been reached whereby people are making their investments and really taking social investment forwards (https://tbn.asia/events-page/2017-jakarta/).

Shift in charity funding models

A new research report from the Cass Centre for Charity Effectiveness, entitled 'Social investment as a new charity finance tool: using both head and heart' highlights the major shift in charity funding models in the UK, away from grants and donations, towards social investment and more borrowing over the next five years.

It found that 60 per cent of all charities surveyed were positive about social investment, with 17 per cent saying it could even transform their business models in the next five years.

At the same time, the investment market is witnessing the birth of a new kind of funder, one who wants to be philanthropic but also be viewed as a social investor rather than a giver. This opens up opportunities for charities which can align the motivations of investors with their causes.

The UK is recognised as having one of the world's most developed social economies. At the end of 2016, the major social investment wholesale provider, Big Society Capital, estimates the UK market to have around 3,500 investments worth around $2 billion, with a wide range of products available.

However, the Cass research found that one of the main barriers to charities using social investment as a funding tool is their lack of understanding about it. Some charities also feel conflicted or uneasy about using borrowing or investment tools and some have ethical concerns. These barriers will need to be overcome if the market is to continue growing.

The research highlights that the main reasons why charities would be interested in social investment are as follows:

- **Sustainability** – ensuring the ability to diversify income streams in a way that is self-sustaining and predictable
- **Impact** – allowing charities to identify priorities and provide funding linked to these
- **Scaling up and growth** – enabling work to be taken to scale and facilitating greater impact
- **Investing in IT or the low carbon economy** – and investing in changing business models to achieve this
- **Autonomy and flexibility in income streams**– rather than needing to dance to the donor's tune
- **Building internal infrastructure** – enabling a focus on impact measurement.

Sustainability came out very strongly as the main reason why charities are interested in social investment as a new tool to help their funding.

Social investment challenges

While the research indicates a growing appetite for social investment it highlights that many charities would not borrow for working capital, fundraising or even for property. Equally, many would not borrow to start a new social enterprise.

Charities are concerned about how they will create a revenue-generating model to pay back any such investment, if they use investment. Many are stuck in a grants and donations mind-set and are concerned about the ethics of borrowing.

While the research indicates a growing appetite for social investment it highlights that many charities would not borrow for working capital, fundraising or even for property.

In the study, 40 per cent of charities said that social investment will bring little or no change to their organisations or they are openly negative about it.

Social investment is not suitable for all charities and is not a silver bullet to ease all funding issues. It takes time, effort and clear understanding to implement it. There is a danger that some charities may embrace it as a panacea for the reduction in grant funding without proper consideration. However, get it right and it is a powerful new tool for growth and ensuring future viability.

There is also the issue of winning hearts and minds. A 2014 CAF survey in the UK (In demand: the changing need for repayable finance in the charity sector) found that while 71 per cent of organisations saw social investment as appropriate, only 31 per cent of trustees have a favourable view on repayable finance. Cass Business School has been working with Big Society Capital and others through its 'Get Informed' campaign to help trustees learn how to use this new tool (see Box).

Experience from India

The business school has been working with a number of Asian NGOs – specifically MAMTA (Mother and Child) in India. MAMTA has launched a social gym for women and families; certainly one of the first of its kind. The charity sees that it needs to shift away from grants and towards a self-sustaining model, generating its own income. It intends to do this by developing its skill base internally and helping build capacity within its staff. The gym, called 'Impetus', opened in January and is aiming to use social investment to grow.

MAMTA saw that it had a funding model based on grants and donations, but needed to give its staff the opportunity to develop more commercial skills. Impetus is therefore the charity's first foray into this area of social business, and equally will develop the capacity of staff so that further health businesses can be developed in future.

The CEO of MAMTA, Dr Sunil Mehra, has seen Impetus as a critical development in MAMTA's path and hopes to develop social investment links to take the initiative into other cities in India where investment is lacking. He also hopes to train a new cadre of health and fitness professionals to make change happen across India for better health.

Peer to peer lending

We are also seeing the growth of new innovative solutions such as www.lendwithcare.org – the peer-to-peer online platform that enables loans to be made to the poorest.

Developed by CARE International UK it has now lent around $15m in loans to the poorest. It has been developed in such a way that it can be used in Shari'a communities and so Pakistan, as well as Cambodia, are receiving funds.

The platform uses microfinance institutions (MFIs) to deliver funds to the poorest in local communities and also to build financial inclusion and money skills – helping people to help themselves.

Looking ahead

Much of the noise about social investment has been from publicity around social impact bonds. Whilst these can seem complicated, small-value loans are one of the most powerful investment tools that can help charities grow and leverage their funding. A mix of grants, donations and social investment funding (so called 'blended capital') is now seen as the future for many.

Charities want money that is affordable and will help them build sustainable and predictable income streams. Given this, perhaps demand for social

[1] *https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/507060/6.1806_CO_HMG_International_strategy_FINAL_web__3_.pdf*

[2] *file:///C:/Users/sbfi927/Downloads/annual-report-2016.pdf*

investment will grow most strongly where there is alignment with these objectives.

For organisations to start to think more positively about social investment and start to use it they must get a better understanding of it. Therefore, developing training and mentoring programmes is crucial.

It's also been shown that having social investment champions in an organisation can take social investment forward and help others to see the potential. Building capacity in charity finance professionals and trustees will also be key to growth.

Our research shows that we are approaching a tipping point where social investment is gaining sufficient momentum and traction to move into the mainstream and away from being seen only as a 'niche' product.

Conclusion

As grants and donations shrink, the ready availability of investment monies (estimated at over $2 trillion) should exert a more pronounced force on the charity world. However, there are concerns that if charities do not start to take up the opportunities, then investors will go elsewhere.

It's therefore important to build the social investment market thoughtfully and purposefully for the future, and help charities understand the potential for social investment to be a prominent part of the social funding landscape.

Mark Salway *is the Director of Social Finance at Cass CCE and has extensive experience in both commercials and non-profits, derived from his time at KPMG, and was previously FD and interim CEO at Care International UK. Mark has a wealth of global experience in developing and implementing social investment, strategy, performance measurement and developing financial innovation and new funding models including crowd funding, social finance and social impact investment.*

Mark has recently released his two-year research into social investment: Social Investment as a new charity finance tool: using both head and heart. He is passionate about using new models of funding to help develop a sustainable sector.

Mark has worked to form social investments in international development and with ex-offenders and prisons, homeless people, health and education. He has also just helped opened a social gym in Varanasi, India which is a social enterprise raising funding through social investment. He is a keen competitive swimmer and currently president of a large community-focused swimming club.

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Philanthropy Impact, 7 -14 Great Dover Street, London SE1 4YR
www.philanthropy-impact.org +44 (0)20 7407 7879 info@philanthropy-impact.org
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