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Robert Bosch Stiftung



SOCIAL INVESTMENT LANDSCAPE IN ASIA

INSIGHTS FROM SOUTHEAST ASIA



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| | |
|---------------------------|--|
| Email | knowledge@avpn.asia |
| Website | www.avpn.asia |
| Authors | Aarti Mohan, Smriti Harsh, Abhishek Modi (Sattva Knowledge Centre) |
| Production | Arnav Gupta, Mehar Jossan, Deepika Ganesh, Pratik Jha, Rishi Raote, Rebecca Detorre, Venus Sharma (Sattva Knowledge Centre) |
| Editors | Martina Mettgenberg-Lemiere, PhD Nguyen Le Phuong Anh Kevin Teo |
| Design and Typesetting | Ideasutra.in |

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ABOUT THE REPORT

AVPN has identified the need for a comprehensive overview of the Asian philanthropy and social investment landscape to offer social investors a guide to the opportunities for social investment in Asia. The *Social Investment Landscape in Asia* will be an invaluable resource for funders and resource providers as they assess the opportunities and challenges for philanthropy and social investment in the region. It is designed to be a guide for both new social investors looking to enter the Asian market and existing social investors exploring cross-border or cross-sector opportunities within the region. The Landscape is another way to further AVPN's mission to increase the flow of financial, human and intellectual capital to the Asian social sector.

The report provides a holistic view of the current and emerging philanthropy and social investment landscape in Asia. It also features in-depth profiles of 14 Asian regions which include:

- An overview of key demographic and macroeconomic conditions
- Key development issues facing the country
- Background and context to the social economy in the region
- Overview of the legislative environment
- Key social investors, recent developments and investment trends
- Opportunities, challenges and recommendations

The 14 regions are:

- | | |
|-------------|---------------|
| ■ Cambodia | ■ Malaysia |
| ■ China | ■ Myanmar |
| ■ Hong Kong | ■ Philippines |
| ■ Indonesia | ■ Singapore |
| ■ India | ■ Taiwan |
| ■ Japan | ■ Thailand |
| ■ Korea | ■ Vietnam |

If you have any comments or would like to get involved in future reports, please contact knowledge@avpn.asia.

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| Zhihan Lee | BagoSphere |

LIST OF ACRONYMS

| | | |
|----------|--------|--|
| A | ADB | Asian Development Bank |
| | ANGIN | Angel Investment Network Indonesia |
| | ASEAN | Association of Southeast Asian Nations |
| B | BCG | Boston Consulting Group |
| | CAF | Charities Aid Foundation |
| C | CBO | Community Based Organisation |
| | CIA | Central Intelligence Agency |
| | CSR | Corporate Social Responsibility |
| E | ESG | Environmental, Social, Governance |
| | ETF | Exchange Traded Fund |
| F | FDI | Foreign Direct Investment |
| | GCI | Global Competitiveness Index |
| G | GDP | Gross Domestic Product |
| | GNI | Gross National Income |
| H | HNWI | High Net Worth Individual |
| I | ILO | International Labour Organisation |
| | INDC | Intended Nationally Determined Contributions |
| M | MNC | Multinational Corporation |
| | MSCI | Morgan Stanley Composite Index |
| N | NGO | Non-Governmental Organisation |
| | NPO | Non-Profit Organisation |
| O | OECD | The Observatory of Economic Complexity |
| | OECD | Organisation for Economic Co-operation and Development |
| | P2P | Peer-to-Peer |
| P | PISA | Programme for International Student Assessment |
| | PPP | Purchasing Power Parity |
| | SDG | Sustainable Development Goal |
| | SE | Social Enterprise |
| S | SIB | Social Impact Bond |
| | SME | Small and Medium-sized Enterprise |
| | SPO | Social Purpose Organisation |
| | SRI | Socially Responsible Investing |
| U | UNDP | United Nations Development Programme |
| | UNEP | United Nations Environment Programme |
| | UNESCO | United Nations Educational, Scientific and Cultural Organization |
| | USD | United States Dollars |
| W | WEF | World Economic Forum |
| | WHO | World Health Organisation |
| Y | YCAB | Yayasan Cinta Anak Bangsa |

FOREWORD

The Robert Bosch Stiftung has been active in Asia for over a decade. We focus on topics such as governance, civil society and media. In our programmes and initiatives, we mainly aim at identifying, promoting and connecting changemakers in the nonprofit sector. Changemakers, whose activities create sustainable impact and who build sustainable networks.

In Europe and Asia the philanthropic sector has been growing steadily over the past years. In an expanding sector, new and existing nonprofit actors need tools and opportunities to professionalise, share knowledge and raise impact and efficiency of their activities. To tackle these challenges, provide impulses, and contribute to the sharing of best practices, the Robert Bosch Stiftung published the studies "Shape the Future. The Future of Foundations" (2014) and, in cooperation with Dasra, "Funding in the 21st Century. Trends and Priorities in the Foundation Sector" (2016). Both addressed the question of how foundations could and should position themselves in a fast-growing, rapidly changing, increasingly volatile and globalised environment.

Complementing these findings with a regionally focused perspective on Asia, the Robert Bosch Stiftung supported AVPN's development of "The Social Investment Landscape in Asia". Asian middle classes are rapidly growing – and they do not only serve as a keystone for economic and political development in the region but also pave the way for an Asian social investment sector that is experiencing an unprecedented growth with great dynamics. Having a comprehensive overview of the main characteristics, trends, gaps, challenges and areas of opportunity in the Asian social sector is of great value for foundations, philanthropists and other (social) investors that seek to create relevant and successful projects with sustainable impact.

The Landscape provides an in-depth review of the social sector in 14 Asian countries and city-states from both a "macro perspective" across Asia and a "micro perspective" by region. It analyses demographic and key macro-economic data and maps the social investment environment including the legislative frameworks, key social issues and implementation gaps regarding the Sustainable Development Goals (SDGs), the role of the governmental and non-governmental sector, key social investors and investment trends, and identifies opportunities and challenges for social investors. To further enhance its practical value, the Landscape concludes with key recommendations, thus serving as a useful guide that allows funders to make more effective funding and investment decisions in the Asian social sector.

This body of work forms an important basis to understand how social investors can position themselves to maximise their impact. We hope that it will find a wide circulation, contributing to the practical work of philanthropic actors in Asia.

*Uta-Micaela Dürig
CEO, Robert Bosch Stiftung*



FOREWORD

Since 2011, AVPN has been committed to building a vibrant and high impact philanthropy and social investment community across Asia. AVPN has identified the need for a comprehensive overview of the Asian philanthropy and social investment landscape to offer social investors a guide to the opportunities for social investment in Asia. The Social Investment Landscape in Asia will be an invaluable resource for funders and resource providers as they assess the opportunities and challenges for philanthropy and social investment in the region. It is designed to be a guide for both new social investors looking to enter the Asian market and existing social investors exploring cross-border or cross-sector opportunities within the region. The Landscape is another way to further AVPN's mission to increase the flow of financial, human and intellectual capital to the Asian social sector.

Asia is one of the most dynamic regions in the world and home to many rapidly growing economies, which have resulted in great societal challenges associated with this growth as well as remarkable opportunities for philanthropy and social investment. Asia's diversity in terms of socio-economic environments and stages of development means there is no one-size-fits-all solution to the establishment of an impactful social economy. Recognising this, the Landscape seeks to provide a holistic and contextual understanding of the 14 economies in Asia, namely:

-
- | | |
|---------------|---------------|
| ● Cambodia | ● China |
| ● Indonesia | ● Hong Kong |
| ● Philippines | ● India |
| ● Malaysia | ● Japan |
| ● Myanmar | ● South Korea |
| ● Singapore | ● Taiwan. |
| ● Thailand | |
| ● Vietnam | |
-

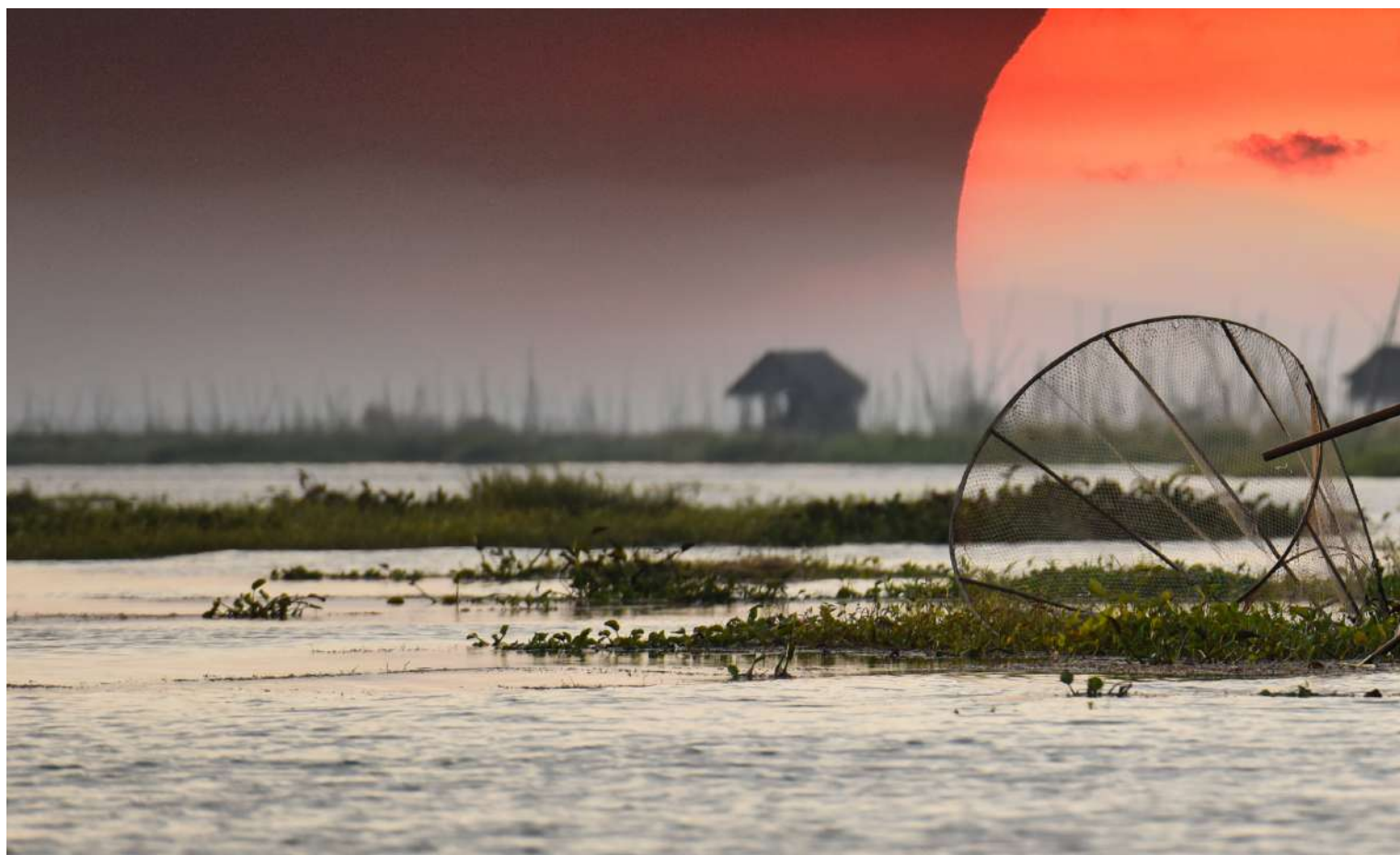
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*Naina Subberwal Batra
CEO, Asian Venture Philanthropy Network (AVPN)*



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EXECUTIVE SUMMARY

Social investment – financing and support for the social impact sector by a multitude of actors, instruments and methodologies¹ — is gathering momentum and the social economies — the ecosystem of investors, entrepreneurs and enablers collectively pursuing social impact — in Asia are seeing significant engagement and innovation in the last 5-8 years.

As creating social impact requires all stakeholders, social investing requires the involvement of a range of players, including but not limited to the government in the region, High-Net Worth Individuals (HNWIs), the next generation of investors, retail investors, crowdfunding platforms, giving circles, foundations, impact funds, corporate businesses and financial institutions.

Although the size of the industry is contested², its contours are coming into focus through the most recent industry surveys, indicating growth:

- The 2017 GIIN survey focusing on North America and Europe with a small percentage in Sub-Saharan Africa and Latin America stated USD 114 billion of Assets under Management managed by 208 impact investors.³
- The 2016 AVPN survey based on 111 members surveyed reported USD 2.17 billion of financial capital deployed across all sectors and markets.⁴
- The 2015 EVPA review of five-year data reported an overall growth for the sector through 108 organisations having allocated EUR 6.5 billion since starting their operations, which is a 30% increase compared to Fiscal Year (FY) 2013.⁵

Asia is in the middle of a historic transformation. ADB estimated that: “If [Asia] continues to follow its recent trajectory, by 2050 its per capita income could rise six-fold in purchasing power parity (PPP) terms to reach Europe’s levels today, it would make some 3 billion additional Asians affluent by current standards.”⁶ However, national policy makers across Asia realise that this trajectory requires balancing the demands of

1. AVPN 2016, 10 questions social investors need to ask

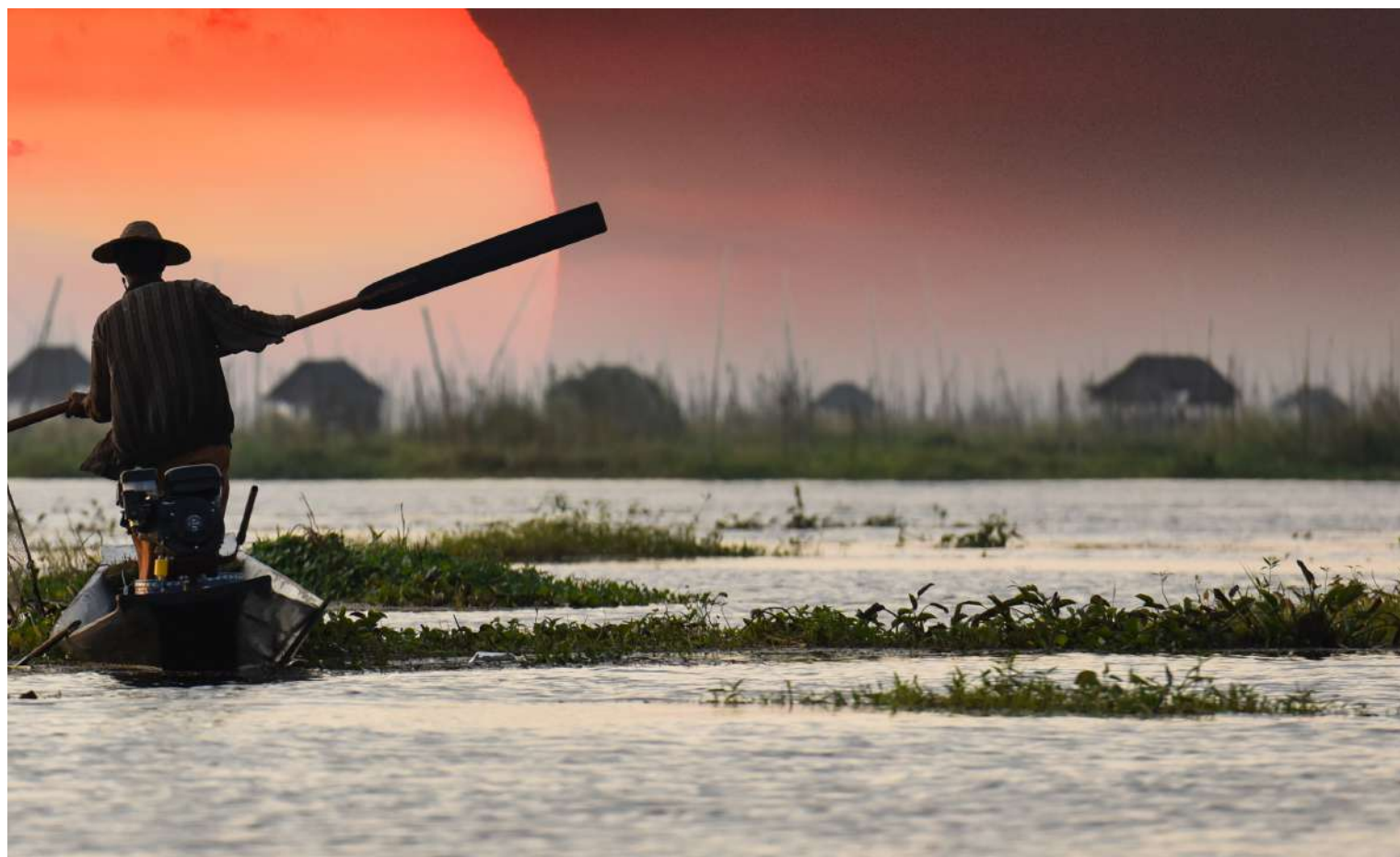
2. Dennis Price, Impact Alpha 2017, How much money is there in impact investing?

3. GIIN, 2017, The Annual Impact Investor Survey 2017

4. AVPN, 2016, Annual Report

5. EVPA 2016, The state of venture philanthropy and social investment (VP/SI) in Europe – the EVPA survey 2015/2016

6. ADB, 2011, Asia 2050 – Realizing the Asian Century



growth with reducing inequalities and exclusion. Each country and region in Asia faces different challenges and needs to find different solutions to realising growth while fostering inclusivity and equality.






































































The United Nations Sustainable Development Goals (SDGs) have highlighted the scale and urgency of socio-environmental-economic issues globally as well as nationally. The SDGs provide a cohesive framework to address the challenges. Social investors have started to rally around them to focus and maximise the impact of their support.

The aim of this report is to understand and document the existing and emerging landscape for social investing in 14 regions in Asia spanning:

- North and South Asia including China, Hong Kong, India, Japan, South Korea and Taiwan.
- Southeast Asia including Cambodia, Indonesia, Philippines, Malaysia, Myanmar, Thailand, Singapore, and Vietnam.

We present insights from qualitative research examining the essential characteristics of the social

economy - 'attractiveness' of the region for investment, development challenges being tackled, the influence of legislative environments and governments in triggering the social sector, key actors in the social investment landscape and their journeys, recent trends and developments such as crowdfunding, the ecosystem for social impact, and a snapshot of the opportunities and challenges.

| COUNTRY | SDG Rating | | | | | | | |
|--|---|---|---|--|---|---|---|---|
|  Singapore |  |  |  |  |  |  |  |  |
|  Japan |  |  |  |  |  |  |  |  |
|  China |  |  |  |  |  |  |  |  |
|  Malaysia |  |  |  |  |  |  |  |  |
|  South Korea |  |  |  |  |  |  |  |  |
|  Thailand |  |  |  |  |  |  |  |  |
|  Vietnam |  |  |  |  |  |  |  |  |
|  Cambodia |  |  |  |  |  |  |  |  |
|  Philippines |  |  |  |  |  |  |  |  |
|  Indonesia |  |  |  |  |  |  |  |  |
|  India |  |  |  |  |  |  |  |  |
|  Myanmar |  |  |  |  |  |  |  |  |
| SDG Goal |  |  |  |  |  |  |  |  |

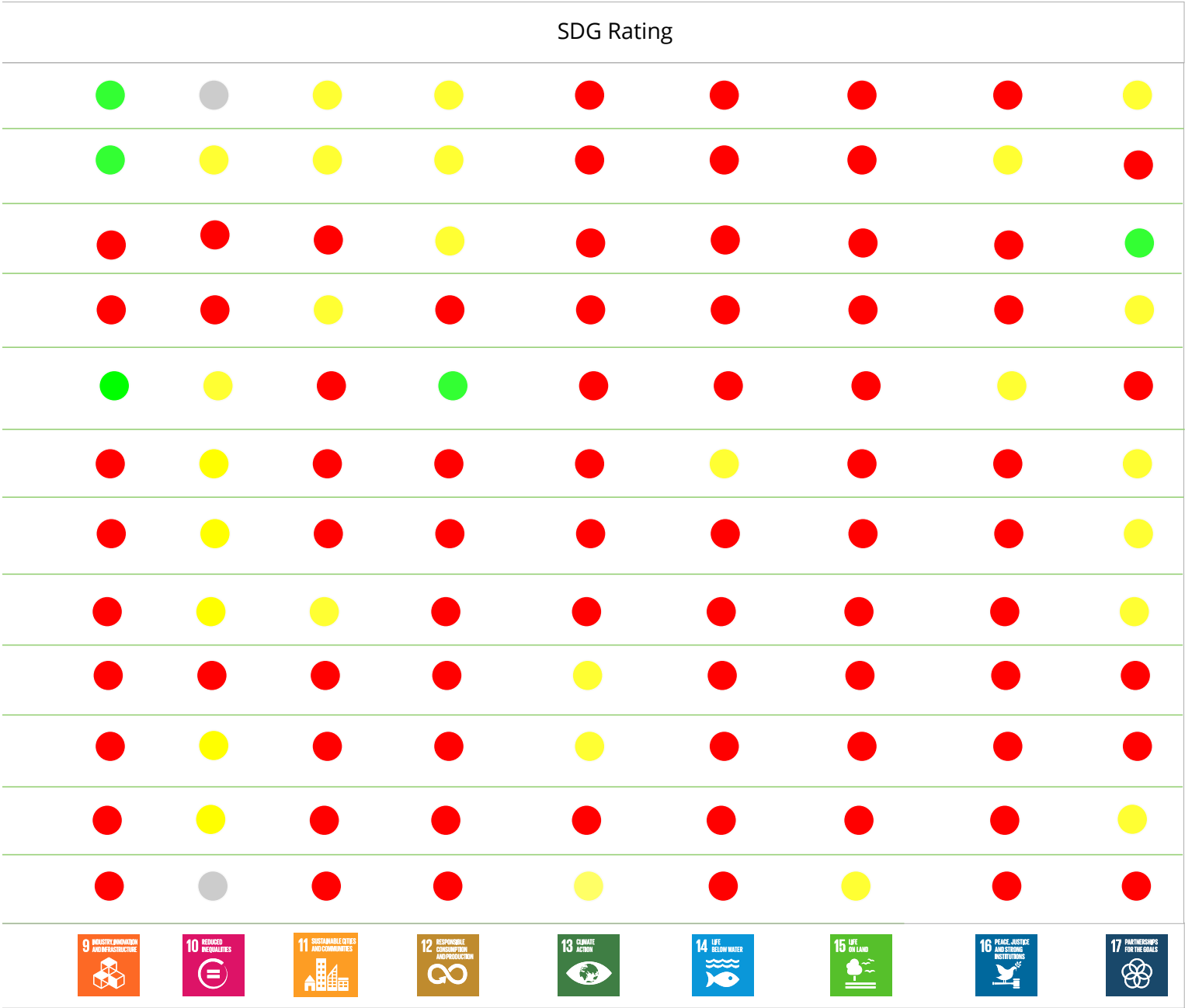
The SDG dashboard published by the UN is a measure of the progress made by each country towards the goals and targets laid out in the UN SDGs. Poverty reduction across most countries has been impressive. However, India, Myanmar, and Cambodia still have over a quarter of the people living below the poverty line.

While emerging economies such as India, Cambodia, Myanmar, Indonesia, Philippines and Vietnam have

to address pressing social challenges in healthcare, sanitation, education and water, developed economies such as Japan, South Korea, Taiwan and Hong Kong are tackling ageing, growing inequalities, declining workforce, labour productivity and gender equality. Environmental issues are uniformly red on the dashboard across countries, from issues of energy access and infrastructure in emerging economies, to climate risk mitigation and natural resources management in the island countries of Asia.

7. The four quantitative thresholds in SDG gaps are determined to designate colours: best and worst scores, the threshold for SDG achievement, and the threshold between a red and yellow colour rating. For example, if a country receives a red rating for one of the indicators of SDG 3 and a yellow rating for all of the other indicators for SDG 3, the overall

colour rating for that country for SDG 3 is assigned "red." The minimum colour rating draws attention to the most urgent challenges facing each country for each SDG. Detailed explanation in methodology section.



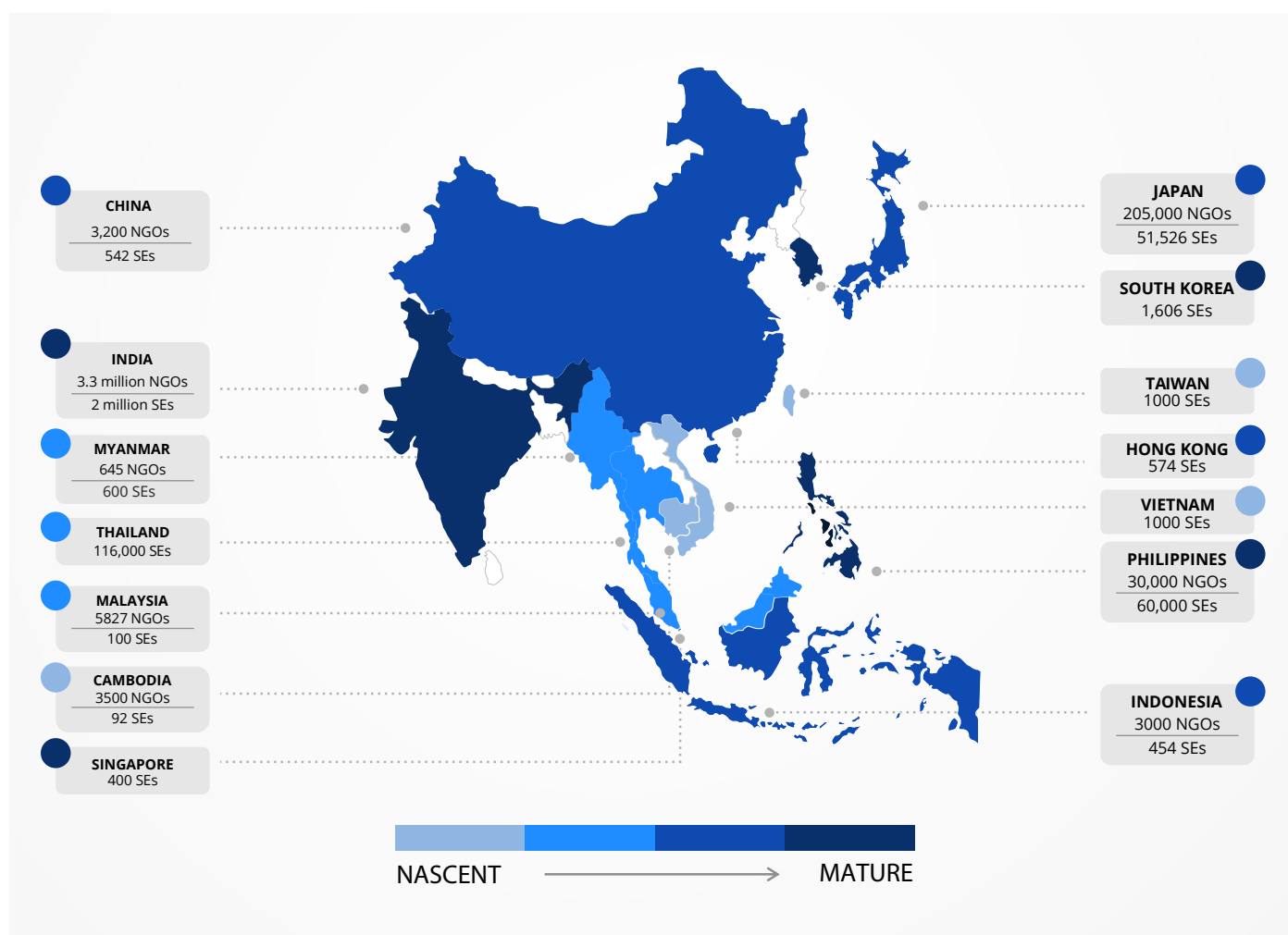
SDG gaps across the 14 regions. Source: sdgindex.org (2016)⁷

INSIGHTS FROM THE 14 SOCIAL ECONOMIES

1. Social economies exist on a scale from nascent to mature

The stage of growth of the social economy in a region⁸ is characterised by the presence, contribution and maturity of all actors in the ecosystem — government, Social Purpose Organisations (SPOs), social investors

and enablers. We rated this on a scale from nascent to mature. Frontier markets such as Cambodia and Myanmar have nascent social economies, while the other end of the spectrum, India, South Korea and Singapore have mature economies, followed closely by rapidly growing economies such as Hong Kong, Indonesia, and China.



14 social economies from nascent to mature. Rating described in methodology.⁸

2. Managed funds are vehicles to foster engaged social investment

Most of the 14 social economies are in their growth phase. Social enterprises (SEs) in these regions are in their early to mid-stages of growth, viable pipelines are small, and deal volumes are low. Social investors in these social economies play the crucial role of nurturing the ecosystem and supporting the establishment of an investable pipeline of SEs.

International investors such as Insitor Fund SCA, LGT Impact Ventures, Michael & Susan Dell Foundation, development agencies such as USAID and local investors such as ChangeFusion (Thailand), XChange (Philippines), Narada Foundation (China), Lotus Impact (Vietnam), B Current Impact Investment Inc. (BCI2) (Taiwan), Aavishkaar (India) are actively involved in creating incubators and accelerators, providing hands-

on assistance and mentorship to entrepreneurs, and taking the venture philanthropy approach to support SEs.

The emergence of local funds is a trend in developing social economies as it brings local capital and expertise to engage closely with social impact. Examples of recent funds include:

- Lotus Impact in Vietnam works closely with entrepreneurs and seed-stage businesses to provide seed capital and incubation support.
- Cambodia's Clean Energy Revolving Fund operated by Nexus for Development supports investments from agri-food SMEs in clean energy technologies while SWITCH-Asia's "MEET-BIS Cambodia" programme promotes energy efficiency in the tourism sector.

8. Rating system described in methodology.

| | | |
|---|---|--|
| 4 |  Enabling environment with a separate structure for SEs | South Korea |
| 3 |  Friendly environment with multiple structures and some tax benefits | Hong Kong India Philippines Singapore Taiwan |
| 2 |  Neutral environment, no or basic tax benefits | Cambodia China Japan Malaysia Thailand |
| 1 |  Restrictive legal environment to set up SPOs | Indonesia Myanmar Vietnam |

Legislative environment for SPOs. Rating: Sattva-AVPN framework ⁹

- BCI2 is a local Taiwanese impact fund, founded by 42 angel investors with entrepreneurial and professional backgrounds, across regions, from Silicon Valley to Asia.
- India Innovation Fund is a Securities Exchange Board of India registered venture capital fund that invests in innovation-led, early stage Indian firms.
- Aavishkaar's Frontier Fund focuses on Indonesia, Bangladesh, Sri Lanka and Pakistan and aims to support 15-18 companies with a ticket size of around USD 1-5 million.¹⁰

3. Governments play a key role in fostering the social economy

The regulatory environments for SPOs and investors in the regions examined span the spectrum from being restrictive, as in the case of Myanmar, Vietnam and Cambodia, to neutral, as is the case with Japan, India and Indonesia, to hassle-free and friendly, as is the case with Hong Kong, Singapore, South Korea and Philippines. The ease of the process of registering an SPO is a big contributor to the number of informal (unregistered) SPOs that might operate in a country, while investor regulations around the nature of funding is a key influencer in the instrument used for funding (grant, debt, or equity).





South Korea is the only East Asian country that legally recognises social enterprises (SEs) and offers multiple incentives including payroll subsidies for three years, sales channel development and preferential procurement from SEs in addition to funding and ecosystem-building support for the growth of SEs. The government is the largest social investor and incubator in South Korea. The Korea Social Enterprise Promotion Agency (KoSEA), a state-run incubator for SEs, the Korea Social Investment Fund (KSIF), the Seoul Social Economy Support Centre, as well as a range of SME financing products and preferential access to public procurement bidding, have been established.

The social economies in Thailand, Hong Kong, Taiwan, Philippines and Singapore have been enhanced through progressive policies, CSR mandates, dedicated offices for advisory and facilitation around social entrepreneurship, large-sized seed funds, incubators and capacity building institutions.

- **Hong Kong:** Of the 574 SEs documented in 2015, two thirds of them (248) were started by seed capital provided by the government via the USD 64 million Social Innovation and Entrepreneurship (SIE) Fund. The Social Enterprises Promotion Unit strengthens SEs through cross-sector collaboration, incubation and enhancing public awareness.

9. Sattva-AVPN ratings for the social economy are described in the methodology section.

10. VCCircle, 2015, Aavishkaar raises USD 45 Million to mark first close for USD 75 Million South and South East Asia Fund

| | | |
|---|--|--|
| 4 |  4. Strong support in the form of policies, incentives, incubation and acceleration | Hong Kong Singapore South Korea |
| 3 |  3. Government recognises SEs and offers incentives | China India Malaysia Taiwan |
| 2 |  Basic recognition of SEs | Indonesia Japan Philippines Thailand Vietnam |
| 1 |  No recognition or support | Cambodia Myanmar |

Government support for SEs across regions. Rating: Sattva-AVPN framework ¹¹

- **Philippines:** Two proposed bills currently pending in the Philippine Senate which seek to introduce a legal structure and several incentives for SEs — the Poverty Reduction Through Social Enterprise (PRESENT) Bill and the Social Value Bill — potentially have transformational direct impact on the country's SE landscape. In 2011, the Philippine House of Representatives passed the "Corporate Social Responsibility Act of 2011, which directed "all business organisations established and operating under Philippine laws to contribute on a voluntary basis."
- **Singapore:** Launched in 2015 and funded by the Ministry of Social and Family Development and the Tote Board, *raiSE* currently administers a total funding of SGD 30 million which it distributes to qualified SEs in grants.
- **Taiwan:** 2014 was declared 'the year of SEs' and the government introduced various measures to fund, support and promote SEs, including a 3-year promotion plan. The plan aims to achieve this vision by deregulation, networking, financing and incubation.
- **Thailand:** The Stock Exchange Thailand (SET) plays an active role in furthering corporate social responsibility (CSR) through raising awareness and reporting mandates.
- **India:** The government's 2% CSR mandate in 2013 has brought over 16,000 Indian companies into

the purview of the Act, establishing an avenue to obtain new capital, resources and expertise towards social impact.

4. Trendsetters in strategic philanthropy are emerging among HNWI and family offices

Altruism drives many philanthropists and their families. An analysis of Asian philanthropists' giving across the 14 regions provides evidence of multiple motivations to give: realising religious and ethical conventions, preserving family traditions, supporting native lands in times of crisis, or providing for lesser endowed communities across countries and regions.

While much of HNWI and family foundation philanthropy is confined to traditional giving, a positive trend is a movement towards social investing as the next generation begins to lead the family business.

There are certain common trends seen among countries: although Vietnam has a culture of religious giving, philanthropy has not grown beyond small acts of individual charity, while in China and Thailand, the most dramatic change in the philanthropic landscape has come recently by way of the younger generation of philanthropists. Malaysia and Indonesia see

11. Sattva-AVPN ratings for the social economy are described in the methodology section.

| | | |
|---|---|---|
| 4 |  Informed giving along with social investment through equity, Social Responsible Investing (SRI) | Hong Kong India Singapore |
| 3 |  Evidence of informed giving, sustained giving to multiple causes or venture philanthropy approach | Indonesia Japan Myanmar Philippines |
| 2 |  Evidence of sustained, well-managed charitable giving | Cambodia China Malaysia South Korea Taiwan Thailand |
| 1 |  Charitable contributions/religious contributions | Vietnam |

Philanthropic contribution across regions. Rating: Sattva-AVPN framework

substantial contributions through religious funding. In countries with a legacy of wealth such as Singapore and Hong Kong, family foundations play a more prominent role.

Several innovations are seen among Asian family offices and philanthropists. For example, RS Group in Hong Kong is unique in its “Total Portfolio Approach” to asset allocation. The Putera Sampoerna Foundation in Indonesia has invested in creating and nurturing

local communities. Zuellig and Ayala Foundation in the Philippines are pioneering the venture philanthropy model in their own unique ways, while Tata Trusts and a host of philanthropists and family offices in India are significantly broadening the horizons of giving by supporting under-funded causes, taking the venture philanthropy approach or foraying into impact investing.

| | | |
|---|--|--|
| 4 |  Active international and local investors and presence of innovative funds and partnerships | Philippines Singapore |
| 3 |  International and local players with presence of grant, debt, convertible debt and equity investments | China India Indonesia Japan |
| 2 |  Presence of international players, with deal flow of 5-10 deals in the last year or evidence of seed funding | Cambodia Hong Kong Myanmar South Korea Vietnam |
| 1 |  Presence of social investing approach, however no clear classification of investors | Malaysia Taiwan Thailand |

Social investor contribution across regions. Rating: Sattva-AVPN framework ¹²

12. Sattva-AVPN ratings for the social economy are described in the methodology section.

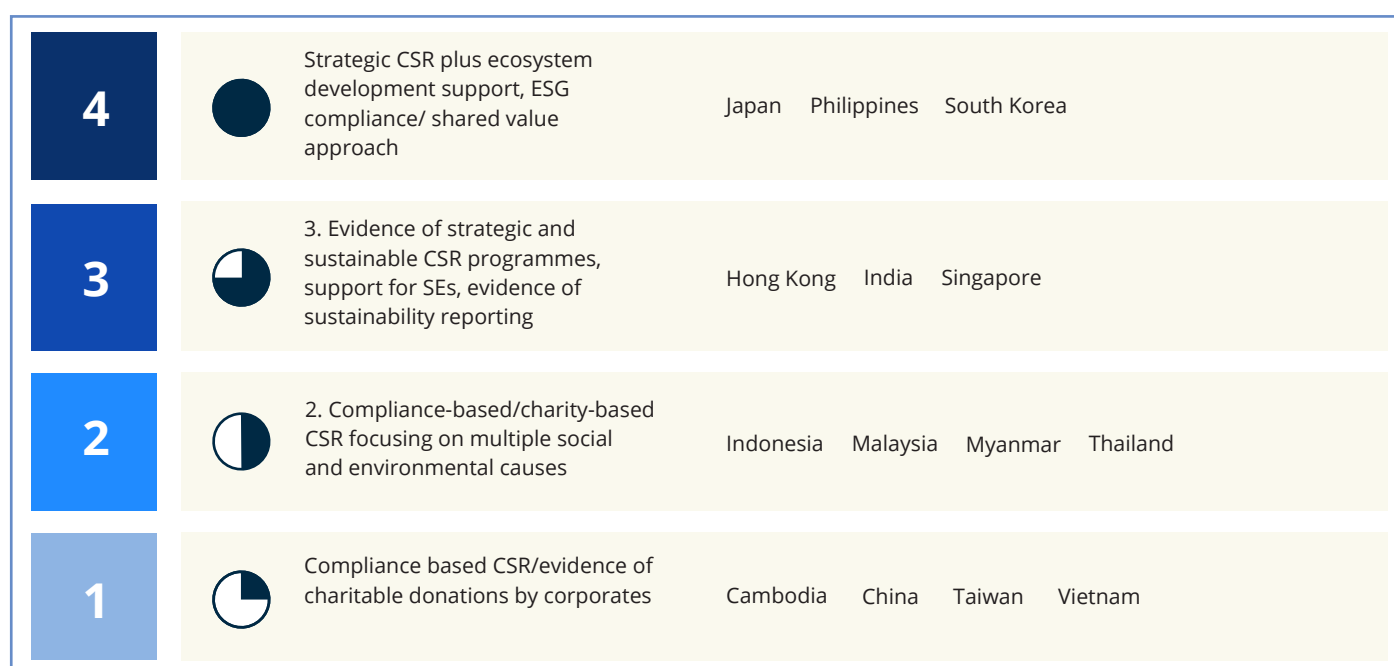
5. Corporate social responsibility's potential still needs to be realised

Corporate philanthropic contributions in the form of Corporate Social Responsibility (CSR) are ubiquitous and present in all 14 regions. However the integration of CSR with business leading to shared value approaches is less common. Japan and South Korea have several examples of corporates establishing venture philanthropy approaches and setting up equity funds for impact investing. Manufacturing companies in India have multiple cases of strategic and sustainable CSR which bring equitable value to all stakeholders. The impetus towards CSR in Cambodia, Vietnam, and Singapore are largely driven

estimated at USD 23.4 billion in 2017, 4% of GDP.

Zakat collectors such as Dompot Dhuafa and Rumah Zakat in Indonesia, are leading the process of well-managed funds and strategic philanthropy. In Malaysia, the world's largest Islamic finance market, Islamic sukuk bonds are a unique innovation with tremendous opportunity to grow socially responsible investing (SRI) in the mainstream capital market.

Religious giving is informal, but is often the starting point for philanthropy as with Taiwan, China, India, Myanmar, and Singapore. Myanmar's giving landscape, in particular, is characterised by religious giving.



Corporate sector contribution across regions. Rating: Sattva-AVPN framework

by international trade imperatives, while MNCs are driving international CSR best practices in countries such as Myanmar and China. At the same time, mandatory CSR has not produced clear outcomes so far, as with Thailand and China.

6. Religious giving is a major source of local philanthropy

In Malaysia and Indonesia, religious giving through *zakat* has wide prevalence and is often the largest pool of grant capital for SPOs. In 2013, zakat represented over 20% of the Malaysian government's social spending excluding health, contributing to 0.25% of the GDP, while in Indonesia, the potential of zakat is

7. Responsible investment is emerging as a strong mainstream market force for impact

Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.¹³

Responsible investing mechanisms have emerged in recent years, especially in advanced economies such as Japan, Hong Kong, South Korea, Taiwan, Malaysia and Singapore. These mechanisms have taken the

13. Principles of Responsible Investment, 2017, What is responsible investment



forms of ESG bonds, socially responsible exchange-traded funds (ETFs), corporate sustainability indices and green bonds, providing an infusion of mainstream capital for socio-environmental funding.

For instance, in September 2015, the Japanese Government Pension Investment Fund (GPIF), the world's largest pension fund, with a pool of USD 240 billion, became a signatory of the United Nations Principles for Responsible Investment (PRI), and is making ESG-related decisions in various investments. It is anticipated that this move will spark greater ESG interest among Japan and regional investors in Asia.

The global green bonds market has grown rapidly in the last few years, with an estimated USD 42 billion raised in 2015.¹⁴ In Asia, although the green bonds market is nascent, countries such as China, Hong Kong and Japan have been active in issuing bonds that invest in renewable energy companies, green infrastructure and real estate development. China alone issued USD 36.9 billion worth of green bonds in 2016, dominating the global market in climate-friendly infrastructure investment.¹⁵

8. Intermediaries are critical catalysts in building social economies

The social economies in most of the studies 14 regions have advanced significantly due to the support of intermediaries.

In particular, intermediaries play the key roles of incubating and building capacity among SPOs, promoting cross-sector collaborations, actively forging partnerships between diverse stakeholders and building a knowledge and evidence base in the region. Workshops, conferences, startup weekends and business competitions support investors in discovering high-potential SPOs and promote knowledge-exchange for furthering impact.

While international organisations such as the British Council, Ashoka and USAID have played substantial roles in triggering the SE movements in the studied 14 regions, local players have helped sustain and grow the ecosystem with their contributions. Intermediaries such as Centre for Social Initiatives Promotion (CSIP) and LIN Centre for Community

14. Hong Kong Financial Services Development Council, 2016, Hong Kong as a Regional Green Finance Hub

15. Climate Change News, 2017, China is taking the green bond market by storm

Development (Vietnam), Non-Profit Incubator, China Social Enterprise and Investment Forum (CSEIF) and Leping Social Entrepreneur Foundation (China), UnLtd and YCAB (Indonesia), ChangeFusion (Thailand), Phandeeyar (Myanmar), Asia Philanthropy Circle (Singapore), Root Impact & KoSEA (South Korea), XChange (Philippines), SVP and JVPF (Japan), Ashoka and Sankalp (India), MyHarappan (Malaysia) are notable intermediaries who have contributed significantly to the growth of the social economy in their respective regions.

9. Partnerships move social economies forward

Collective impact¹⁶ is a way to tackle deeply entrenched and complex social problems of all stakeholders using five elements: (i) common agenda, (ii) common progress measures, (iii) mutually reinforcing activities, (iv) communications, and (v) a backbone organisation. In the study of the social investment landscapes across 14 regions in Asia, we found collaborations that followed one or more of these principles, bringing together diverse stakeholders in a sustained manner towards a common purpose. Giving circles such as the ones found in Singapore, Hong Kong and India, which raise resources for non-profits while helping their members grow in terms of maturity as donors are one example. Pooled-in CSR capital such as the Philippine Business for Social Progress model that mobilises corporate funding to implement effective CSR programmes, or even collaborations between government, corporations and civil society such as the SE funds in South Korea or the blended finance approach of Japan, India and Indonesia, are other examples of innovative and highly scalable movements in philanthropy.

Another example is the mutual fund BKIND in Thailand, which is an initiative between ChangeFusion Thailand, Ashoka, Khon Thai Foundation and the Bangkok Stock Exchange. The fund also allocates 0.8% to invest in NGOs and SEs following a venture philanthropy approach.¹⁷

Other models are the Collective Impact Initiatives by Credit Suisse in Hong Kong and Malaysia, which focus on education and fostering access to education in these social economies.¹⁸

These models have helped the social economies of the respective regions grow significantly by providing new means of accessing capital, expertise, and furthering knowledge.

In conclusion

While there is no one-size-fits-all solution to building a high-impact social economy, the key findings outlined above highlight some common foundational elements:

- Government recognition and support,
 - Active presence of managed social investment funds,
 - The growth of strategic philanthropy,
 - The movement towards integrated and sustainable CSR,
 - Increasing adoption of responsible investment,
 - Strong presence of ecosystem enablers, and
 - The drive towards multi-stakeholder partnerships
- all embedded in Asia's long-standing tradition of religious giving.

Asia is at a critical juncture grappling with societal challenges associated with rapid economic growth. The social economy, rooted in the principles of collaboration and collective impact, holds a tremendous potential to drive social and environmental transformation in Asia towards sustainable and inclusive prosperity. The different stages and characteristics of social economy development in Asia can be a source of synergy that catalyses cross-border and cross-sector giving and social investment, as well as enables peer learning. For new investors and investors already present in the region, exciting developments are on the horizon.

16. Kania and Kramer, 2011, Collective impact

17. AVPN, 2015, ChangeFusion – Mutually Building the Mutual Fund

18. Business Times, Syndicating for good 2015, <http://www.businesstimes.com.sg/hub/philanthropists-forum-2015/syndicating-for-good>

CAMBODIA

The Kingdom of Cambodia in Southeast Asia spans low-lying plains, the Mekong Delta, mountains, and the Gulf of Thailand coastline. Demographically, Cambodia is a homogeneous and young nation with the median age of 23.9 years and about 90% of the population being ethnically¹ Khmer and 95% identifying as Buddhist. After gaining independence from France in 1953, Cambodia experienced a period of political instability during 1960s-1990s with the Vietnam War extending into the country, the Khmer Rouge rule and genocide under Pol Pot. Cambodia had its first democratic election in 1993. Cambodia is now a parliamentary constitutional monarchy.²

Two decades of strong economic growth have propelled Cambodia towards attaining lower middle-income status as of 2015,³ with the gross national income (GNI) per capita reaching USD 1,070.

Driven by the garment and tourism sector, Cambodia sustained an average growth rate of 7.6% from 1994 to 2015. Economic growth slightly eased to 6.9% in 2016, compared to 7% in 2015. However, it is expected to remain strong over the next two years, as the tourism sector coupled with fiscal expansion compensate for moderation in garment exports and construction growth.⁴

Improving agricultural productivity, increasing education enrolment rates at all levels and building a skilled work force are key priorities for the country to sustain economic development.⁵

1. United Nations Department of Economic and Social Affairs, 2015, World Population Prospects
2. CIA Factbook, 2017, The World Factbook Cambodia
3. World Bank, 2017, Cambodia Overview
4. World Bank, 2017, Cambodia Overview
5. OECD, 2013, Structural policy notes

FACT FILE

Population
2016

15.96 million

GDP (PPP)
2016

USD 58.95 billion
World Rank 104

World Giving Index Rank
2016

98

(100 in 2015)

- % giving money - 42
- % volunteering time - 15
- % helping a stranger - 25

Poverty
2012

17.7%

Per capita GDP (PPP)
2016

USD 3,737
World Rank 141

COUNTRY CONTEXT FOR INVESTORS

| FACTORS | INDEX SCORE /RANK | DESCRIPTION |
|--------------------------------------|-----------------------|--|
| GDP Growth (2016) | 7.0% | The economy advanced 7% in 2016. In 2017, GDP is forecast to grow between 6.5 and 7%. |
| Governance (2015) | -0.7 | Cambodia ranks below 77% of 215 countries in the 2015 World Bank's Worldwide Governance Indicators. ⁶ |
| Consumer Market (2015) | USD 35 billion | Consumer spending increased in 2015 by 7% compared to 2014. ⁷ |
| Labour Force (2016) | 9 million | The national workforce increased by 2% from 2015 to 2016. Due to relatively low labour costs, Cambodia has become a preferred production base for light industries. ⁸ |
| Infrastructure (2016) | 3.2 | Cambodia was ranked 106 among 138 countries in terms of infrastructure. ⁹ |
| Financial Access (2014) | 13% of the population | Access to finance increased by 239% from 2011 to 2014. ¹⁰ |
| Digital Access (2015) | 19% of the population | Internet penetration in Cambodia increased by 36% in 2015 over 2014. ¹¹ |
| Ease of Doing Business (2016) | 131/190 | Cambodia's Ease of Doing Business rank deteriorated from 128 in 2015 to 131 in 2016. Significant challenges in Cambodia are weak rule of law, poor infrastructure, high energy costs, corruption, and under-developed human resources. ¹² |

Source: CIA, International Telecommunication Union (2015), OECD (2017), WEF (2016), World Bank (2016)
Note: Computation in this section is described in the Methodology.

■ Favourable ■ Moderately favourable ■ Unfavourable

6. World Bank, 2015, Worldwide Governance Indicators

7. World Bank, 2017, World Development Indicators – Household Final Consumption Expenditure, PPP, current international USD

8. Mizuho, 2014, Cambodia seen as a location for new product bases

9. WEF, 2016, The Global Competitiveness Report

10. World Bank, 2014, Financial Inclusion Data

11. International Telecommunication Union, 2015, Percentage of Individuals using the Internet

12. U.S. Commercial Service, 2015, Doing Business in Cambodia: 2015 Country Commercial Guide for U.S. Companies

Global Competitiveness Index Rank

2016

89

(90 in 2015)

Source: CIA, Charities Aid Foundation (CAF, 2016), Credit Suisse (2016), IMF (2016), OECD (2016), World Bank (2017), World Economic Forum (WEF, 2016)

DEVELOPMENT GAPS IN CAMBODIA

Healthcare, water and sanitation and education remain development challenges for Cambodia. 33.5% of children in Cambodia are stunted, more than double the East Asia and Pacific's average of 12.8%.¹³ 75% and 57.6% of Cambodia's population did not have access to piped water supply and improved sanitation, respectively, in 2015.¹⁴ Cambodia's lower secondary completion rate of 48% is significantly lower than the East Asia and Pacific's average of 92%.¹⁵

In 2013, the Royal Government of Cambodia formulated the "Rectangular Strategy-Phase III" as the primary blueprint supporting the country's vision to

become an upper-middle-income country by 2030. The Strategy lays out four strategic objectives that include: (i) ensuring an average annual economic growth of 7%, (ii) creating more jobs, especially for the youth, (iii) achieving more than 1 percentage point poverty reduction annually with emphasis on human resource development and sustainable management and use of natural resources and (iv) strengthening of institutional capacity and governance at the national and sub-national levels.¹⁶ The National Strategic Development Plan 2014-2018 outlines policy measures and key outcome indicators in accordance to the Rectangular Strategy-Phase III including educational attainments, health outcomes and access to safe water and improved sanitation.¹⁷

SDG DASHBOARD FOR CAMBODIA

Source: sdgindex.org (2016)



13. World Bank, World Bank Open Data











14. World Bank, Cambodia Overview

15. World Bank, World Bank Open Data

16. Royal Government of Cambodia, 2013, 'Rectangular Strategy' for Growth, Employment, Equity and Efficiency – Phase III

17. Royal Government of Cambodia, National Strategic Development Plan 2014-2018

GOVERNMENT FOCUS ON DEVELOPMENT GAPS

| FOCUS AREA | SDG GOALS | GAP | GOVERNMENT FOCUS |
|---|---|--|---|
| Agriculture |    | Agriculture contributed 28% of the country's GDP in 2015. ¹⁸ However, 8.6 million farmers remain vulnerable, with seasonal fluctuation putting them back below the poverty line. ¹⁹ The loss of only USD 0.3 per day would cause Cambodia's poverty rate to double to 40%. ²⁰ | The Fifth Legislature of the National Assembly 2013-2018 aims to maintain the targeted agricultural growth of 5% per annum through enhanced productivity, diversification and commercialisation. ²¹ |
| Climate action |  | Cambodia ranked 9 out of 173 countries in the 2016 World Risk Index. The index highlighted that the country has an 86.84% chance of failure while coping with disasters. ²² | Cambodia Climate Change Strategic Plan 2014-2023 focuses on improving governance and synergy between departments, reducing vulnerabilities in climate impact, ensuring resilience of critical ecosystems such as the Mekong river, and promoting low-carbon lifestyle. ²³ |
| Education |  | While Cambodia achieved 97% net enrolment in primary education in 2016, its lower secondary completion rate of 48% is significantly lower than the East Asia and Pacific's average of 92%. ²⁴ | The Fifth Legislature of the National Assembly 2013-2018 focuses on: (i) training of skilled and productive labour, (ii) building educational and vocational training institutions, (iii) encouraging private sector participation in education and (iv) strengthening the education quality and promoting scientific research, technology and innovation. |
| Energy access |  | 56.1% of the total population had access to electricity in 2014. ²⁵ | The Cambodian government plans to extend electricity to all villages by 2020 and to 70% of all households by 2030. ²⁶ |
| Healthcare, water and sanitation |   | In 2014, child mortality was 76 deaths per 1,000 live births for the poorest quintile of the population compared to 19 in the wealthiest quintile. | The Second Health Sector Support Programme aims to improve health care services in Cambodia by creating a Health Equity Fund. As of 2015, 100% of the poor population has access to the fund, helping nearly 8.46 million people receive access to basic health, nutrition and reproductive health. Cambodian Ministry of Rural Development and ²⁷ Asian Development Bank (ADB) undertook the Tonle Sap Rural Water Supply and Sanitation Sector Project in 2012 to achieve universal sanitation and water access by 2025. ²⁸ |
| Small- and medium enterprise (SME) growth |   | In 2015, SMEs constituted up to 97% of registered business, provided 30% of jobs and contributed to 12% of the country's GDP. ²⁹ | The Industrial Development Policy 2015-2025 states expansion and modernisation of SMEs as a priority, accompanied by reforms in regulatory policy, frameworks for industry and labour market development. ³⁰ |

Source: ILO, OECD, SDGIndex.org (2016), UNDP, UNEP, UNESCO, WHO, World Bank, wssinfo.org

18. World Bank, World Bank Open Data

19. World Bank, 2015, Cambodian agriculture in transition: Opportunities and Risks

20. World Bank, 2015, Cambodian agriculture in transition: Opportunities and Risks

21. Royal Government of Cambodia, National Strategic Development Plan 2014-2018

22. United Nations University's Institute for Environment and Human Security, 2016, World Risk Report

23. Royal Government of Cambodia, 2014, Climate Change Strategic Plan 2014-2023

24. World Bank, World Bank Open Data

25. World Bank, World Bank Open Data

26. Mekong Strategic Partners, 2016, Cambodia's Path to Energy Security

27. World Bank, 2016, Health First: Boosting Health Care Services Helps Millions in Cambodia

28. Yale Centre for Environmental Law & Policy, 2012, The Tonle Sap rural water supply and sanitation project

29. Royal Government of Cambodia, 2015, Cambodia Industrial Development Policy 2015 - 2025

30. Royal Government of Cambodia, 2015, Cambodia Industrial Development Policy 2015 - 2025

THE SOCIAL INVESTMENT LANDSCAPE IN CAMBODIA

Cambodia has historically been one of the most aid-dependent developing economies.³¹ During the early 1990s, Cambodia witnessed the entry of international NGOs (INGOs), followed by the proliferation of local NGOs that served as implementation partners for INGOs. As a result, Cambodia had 3,500 NGOs as of 2014, a significant density for the country's population.³² As international aid declined, NGOs expanded into the Social Enterprise (SE) sphere, both as ways to diversify their revenue streams as well as pursue alternative ways of achieving their social objectives.³³ Most SEs in Cambodia are operated by NGOs or registered as associations with the Cambodia's Interior Ministry.³⁴

Today, Social Enterprise Cambodia maps 92 organisations as SEs, among those that meet the criteria of delivering both social and economic value.³⁵ However, there are at least 260 revenue generating non-profit organisations in Cambodia and many of these aspire to become social enterprises. Most Cambodian SEs are in restaurants, crafts, agriculture, technology, micro-finance, and education.³⁶ Universities such as Royal Uni-

versity of Phnom Penh (RUPP) are working to create an enabling environment for local social entrepreneurs.³⁷ RUPP, University of Bradford and Friends International were co-organisers of the Social Enterprise Conference in 2011, 2012 and 2013.³⁸ In 2014, the Social Business Hub at RUPP was supported by Danone Communities and co-organised by Friends International, Social Enterprise Cambodia and 1001 Fontaines.³⁹

Legislative environment

Social enterprises are currently not legally recognised in Cambodia and therefore must be registered as a private company or a non-governmental organisation (NGO). An NGO may undertake commercial activities without being taxed so long as these activities are directly linked to its mission.⁴⁰ The Law on Associations and Non-Governmental Organisations, passed in July 2015, sets forth the definitions of associations and NGOs.⁴¹



31. East Asia Forum, 2016, Cambodia's development paradox; Brookings, 2008, Aid Effectiveness in Cambodia
32. Co-operation Committee for Cambodia, www.ccc-cambodia.org

33. International Comparative Social Enterprise Models (ICSEM), 2013, Social Enterprise in Cambodia

34. ICSEM, 2013, Social Enterprise in Cambodia

35. Social Enterprise Cambodia, <http://socialenterprisecambodia.org/maps>

36. ChangeFusion, 2015, Financing the Long-tail: Catalyzing ASEAN debt-based social investment

37. Lien Centre for Social Innovation, 2014, From Charity to Change: Social investment in selected Southeast Asian countries

38. Royal University of Phnom Penh, 2017, Social Enterprise Conference of Cambodia

39. Social Business Hub 2014, Professor Yunus at the Royal University of Phnom Penh

40. Social Enterprise Cambodia, <http://socialenterprisecambodia.org/>

41. OHCHR Cambodia, 2015, Law on Association and Non-Governmental Organizations

The incorporation of a company is governed by the Law on Commercial Rules and Commercial Register, promulgated in 1995 (LCRCR); the Law on the Amendment of the Law on Commercial Rules and Commercial Register, promulgated in 1999 (LACRCR); and the Law on Commercial Enterprises, promulgated in 2005 (LCE). The structures for investors include a limited liability company, branch office, representative office and a general partnership.⁴²

Supply side

The initial issue faced by most investors is whether their business objectives will be best served by a

direct equity investment through a locally-registered business enterprise, or by entering distribution, franchising, management, financing, leasing, technical assistance, or other contractual arrangements with existing registered Cambodian legal entities. Cambodia places very few restrictions on the level of foreign participation in investments. As a result, a substantial proportion of investors choose to establish 100% foreign-owned limited companies. However, it should be noted that only a Cambodian company or citizen may own land and foreign ownership restrictions apply to certain sectors.⁴³



Demand side

| STRUCTURE | PURPOSE |
|------------------------------------|---|
| FOR-PROFIT STRUCTURES | |
| General Partnership | Each partner shares in the profits and losses of the partnership (Article 23) and all partners are jointly and severally liable for obligations. |
| Limited Partnership | A limited partnership is a contract of partnership between one or more general partners who are the sole persons authorised to administer and bind the partnership, and one or more limited partners, who are bound to contribute to the capital of the partnership. |
| Private Limited Company | A private limited company may have between 2-30 shareholders. The shareholder's liability to the company is limited to the price of the shareholder's subscription (Article 147). |
| NON-PROFIT STRUCTURES | |
| Association | An association is a membership organisation representing and protecting the interests of their members without generating or sharing profits. A domestic association shall be established by a minimum of 3 members. |
| Non-Government Organisation | An NGO is a non-membership organisation, including foundations, aiming at providing funds and services in one or several sectors for the public interest without generating or sharing profits. A domestic NGO shall be established by a minimum of three members of Khmer nationality. |

42. DFDL, 2017, Investment Guide Cambodia: Company Law and Commercial Registration

43. DFDL, 2017, Investment Guide Cambodia: Company Law and Commercial Registration

DEMAND, SUPPLY AND SUPPORT ECOSYSTEM IN CAMBODIA

| | DEMAND | | | |
|--|--|--|---|--|
| | Charities/Non-profits | Social Enterprises | Businesses with Sustainability Focus | Businesses |
| SUPPLY | Foundation/ Trust/Family Office | ADM Capital Foundation (Grant) | | |
| | | C&A Foundation (Grant) | | |
| | | Ford Foundation (Grant, Equity) | | |
| | | MacArthur Foundation (Debt, Equity, Grant) | | |
| | | Rockefeller Foundation (Grant) | | |
| | | The Cambodia International Education Support Foundation (Grant) | | |
| Corporate | Royal ANZ Bank (Grant) | | | |
| | Cellcard (Grant) | | | |
| | Comin Khmere (Grant) | | | |
| Impact Fund | | ARUN LLC (Debt, Equity) | | |
| | | Bamboo Finance (Equity, Debt) | | |
| | | Insitor Fund SCA (Equity) | | |
| | | Nexus for Development (Debt) | | |
| | Oxfam GB Asia (Grant) | | | |
| | | SHIFT Challenge Fund- United Nations Capital Development Fund (Grant, Debt, Equity) | | |
| | | Swiss Investment Fund for Emerging Markets (SIFEM) (Equity) | | |
| | | Synergy Social Ventures Limited (Convertible Grant, Equity, Grant) | | |
| Financial Institution | | | Uberis Capital (Equity) | |
| | | | United States Agency for International Development (USAID) (Grant) | |
| | | | ANCO Specialized Bank (Debt) | |
| | | | National Bank of Cambodia (Debt) | |
| | | | PROPARCO (Debt) | |
| Crowdfunding/ Fundraising Platform | | | Tomato Specialized Bank (Debt) | |
| | | | | |
| Support | | | TosFUND (Grant, Debt) | |
| | | | Kiva (Debt) | |
| | Incubators, Accelerators & Capacity Builders | | Networks & Platforms | Research & Knowledge |
| | <ul style="list-style-type: none"> ARUN LLC EPIC FTMS Global Academy Impact Hub- Epic Programme Impact Investment Exchange (IIX) Insitor Integrating Human to Quality Sevea Consulting | <ul style="list-style-type: none"> SHIFT 360 SmallWorld Social Enterprise Cambodia The Capacity Specialists USAID Development Innovation+ | <ul style="list-style-type: none"> AVPN British Council East Asia and China Region Nexus for Development Toniic | <ul style="list-style-type: none"> Cambodia Development Resource Institute (CDRI) |

Key Actors in the Social Economy in Cambodia. Source: Press research, ADB reports, Lien Centre Charity to Change report, BCG report on SE ecosystem in Indonesia, ANGIN-UNDP report on social finance, USB-INSEAD report on family philanthropy in Asia, investor websites

KEY SOCIAL INVESTORS AND INVESTMENT TRENDS

International foundations focus on changing 'aid' mind-set among SPOs

Since 1990, Cambodia has been a major beneficiary of global aid, with annual receipts increasing from USD 300 million in 1993 to more than USD 800 million by 2012.⁴⁴ Today, aid agencies are moving to support innovative business models as is the case in the United Nations Capital Development Fund and Australia's Department of Foreign Affairs and Trade (DFAT) SHIFT Challenge Fund, which co-funds innovative business models and commercially sustainable cross-sector partnerships that contribute to increased access to financial services for women.⁴⁵

Being a recipient of aid over the last two decades has instilled a sense of aid entitlement among institutions in the country. Transparency, governance, capacity and effectiveness are predominant issues among SPOs in Cambodia. Together with aid agencies' innovative instruments such as the SHIFT challenge fund, international foundations are striving to change these issues through venture philanthropy approaches and cross-border volunteerism. Notable examples are:

- ADM Capital Foundation (ADMCF), a Hong Kong based philanthropic foundation is focused on children at risk and protection of the natural environment – with a geographical scope that could encompass any part of Asia. The Foundation is very engaged with its partners — a big part of its commitment spans the spectrum of capacity building for human resources, fundraising, and accounting. ADMCF's engagement with Angkor Hospital, a children's hospital in Cambodia, is evidence of this approach. The Foundation began by providing 6-7 small grants, gaining insight into the hospital's processes and systems. As Angkor Hospital sought to become an autonomous and sustainable SPO, ADMCF has been providing strategic advice towards this goal even while supporting current day-to-day operations, fundraising and other concerns.⁴⁶
- The Cambodia International Education Support Foundation (CIESF) is a philanthropic foundation

focused on improving the quality of education in Cambodia. Established by Hideo Okubo, Japanese philanthropist and CEO and President of Forval Corporation, the foundation has stayed away from giving direct grants and instead sends experienced Japanese teachers and professors to Cambodia to strengthen local teaching skills. Cambodian instructors are also invited to Japan to further their pedagogical skills. The foundation follows the philosophy of "top-down activities in collaboration with the government" together with "bottom-up activities including local NGOs," aiming to make institutions self-reliant in the future.⁴⁷

Impact investors are critical pipeline builders

Impact investment is still at an early stage in Cambodia, with a handful of international investors active in the country including: Insitor Fund SCA, Bamboo Finance, Synergy Labs, Arun LLC, Uberis Capital, Swiss Investment Fund for Emerging Markets (SIFEM) (Cambodia-Laos-Myanmar Development Fund II) and the Pioneer Facility operated by Nexus for Development. These funding facilities provide debt and/or equity funding to scalable solutions targeting the BoP population.

Given the early stage of SEs,⁴⁸ impact funds are focused on seed stage investments, providing advisory, mentoring, and other support to help SEs become sustainable. Insitor Fund SCA, the oldest international impact investor with roots in Cambodia, and ARUN LLC, a Japanese impact fund structured as a limited partnership, provide uncollateralised loans to seed stage SEs in Cambodia. Each of the investors in ARUN is encouraged to make a commitment of a five-year investment and to volunteer their expertise as an advisor and mentor. Insitor Fund SCA builds capacity for SEs and enables them to develop to a point where they become attractive to other funders. When possible, Insitor Fund SCA works with other regional impact investors to co-invest and share transaction costs, as well as hands-on responsibilities.⁴⁹ Uberis Capital invests in expansion capital (equity, debt) and transition capital (loans) for growth-stage organisations.⁵⁰

44. East Asia Forum, 2016, Cambodia's social investment paradox

45. UNCDF, 2017, SHIFT Challenge Fund

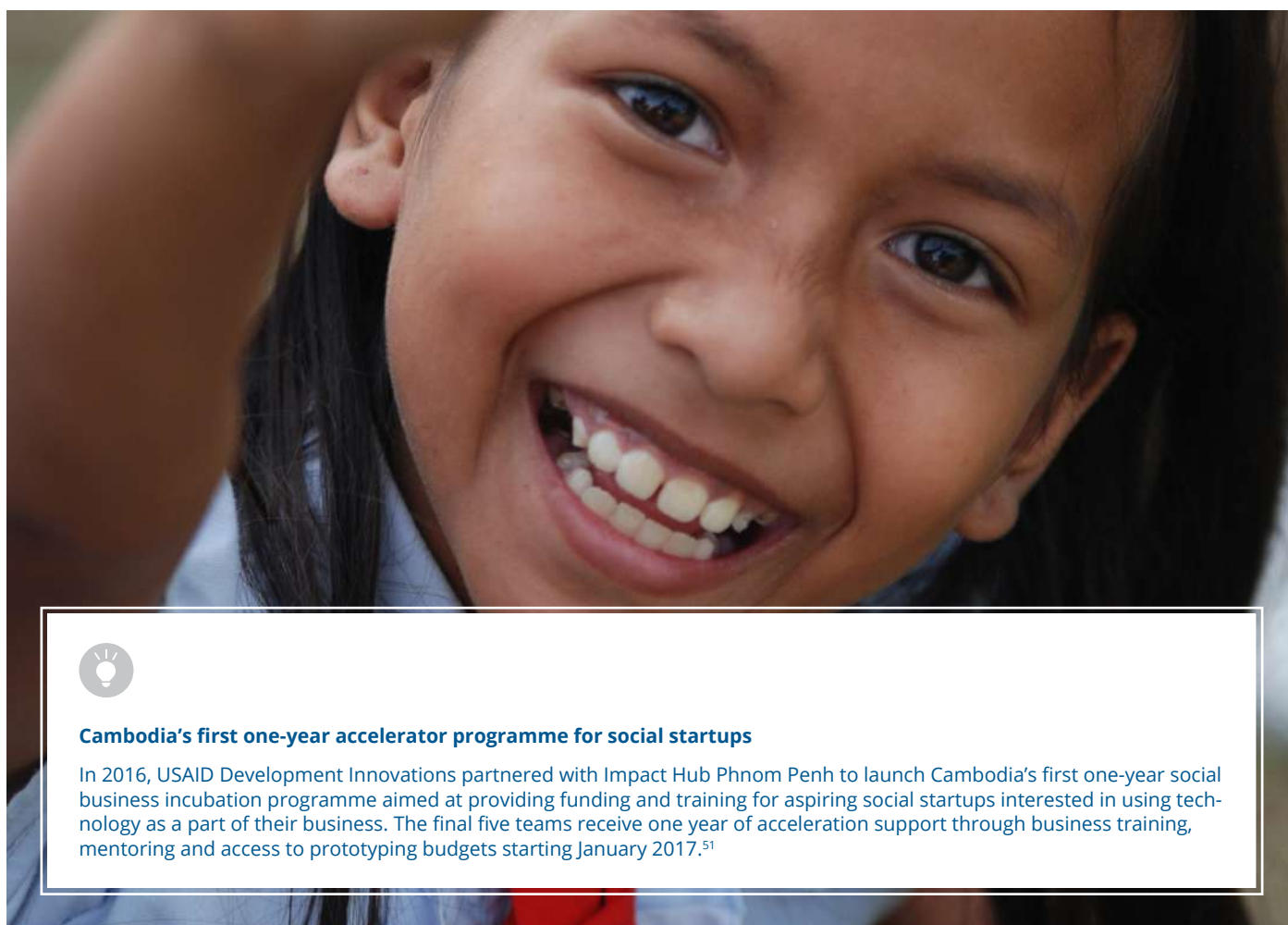
46. NUS, 2013, Innovation in Asian Philanthropy: Entrepreneurial Social Finance Working Paper 2

47. UBS-INSEAD, 2014, UBS-INSEAD Study on Family Philanthropy in Asia

48. ChangeFusion, 2015, Financing the Long-tail: Catalyzing ASEAN debt-based social investment

49. John R., P. Tan and K. Ito, 2013, Innovation in Asian Philanthropy

50. John R., P. Tan and K. Ito, 2013, Innovation in Asian Philanthropy



Cambodia's first one-year accelerator programme for social startups

In 2016, USAID Development Innovations partnered with Impact Hub Phnom Penh to launch Cambodia's first one-year social business incubation programme aimed at providing funding and training for aspiring social startups interested in using technology as a part of their business. The final five teams receive one year of acceleration support through business training, mentoring and access to prototyping budgets starting January 2017.⁵¹

Recent investments in Cambodia (2015-2016)

| Social enterprise | Investor | Sector | Instrument | Amount | Details of work |
|--|---|-----------------|------------|-----------------|--|
| PRASAC | LOLC International Private Limited | Microfinance | Equity | USD 186 million | PRASAC is a micro finance institution that supports sustainable economic development for rural people in Cambodia. |
| Victims Support Section of the Extraordinary Chambers in the Courts of Cambodia (ECCC) | The UN Trust Fund to End Violence Against Women | Gender equality | Grant | USD 1 million | ECCC works on promoting gender equality and improving access to justice for female and gender-based violence survivors. |
| National Center for HIV/Aids and Dermatology | United States Department of Health and Human Services | Health | Grant | USD 0.8 million | National Center for HIV/Aids and Dermatology works on building systems & capacity within the Cambodian Ministry of Health to prevent HIV infections. |

Source: Foundation Center, dealstreetasia.com, technasia.com

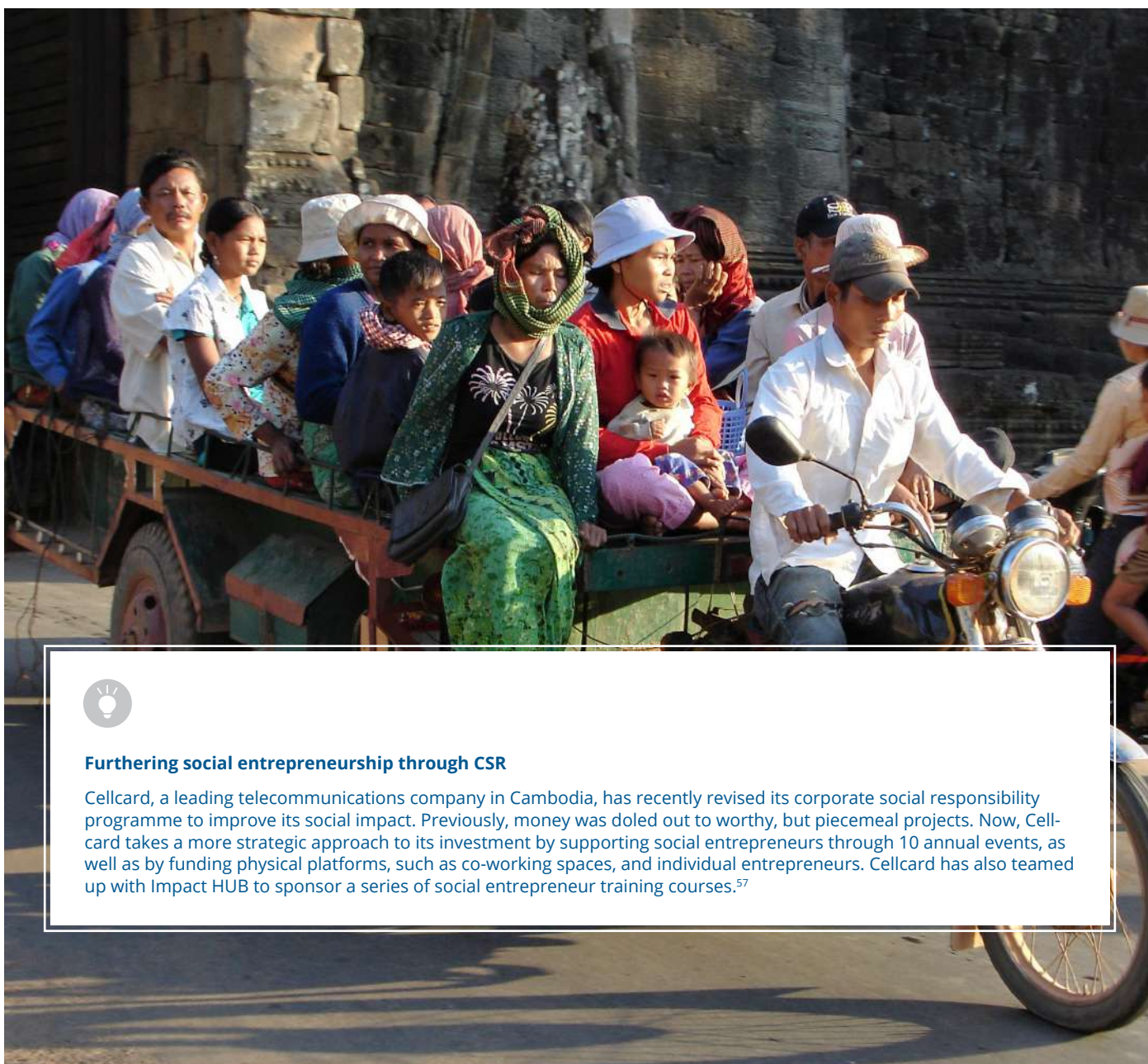
51. Impact Hub Phnom Penh, <http://phnompenh.impacthub.net/programmes/>

CSR is in its infancy in Cambodia

CSR is still a new concept among local enterprises in Cambodia. While there have been instances of charitable activities, the industry is more focused on meeting international ESG guidelines.⁵² The Better Factories Cambodia initiative managed by ILO is noteworthy — the programme grew out of a bilateral trade agreement between the US and Cambodia in 2001 under which Cambodia was granted better access to the US market for its garment exports, in exchange for improved working conditions in garment factories.⁵³ Other initiatives such as the Clean Business Initiative supported by Pact Cambodia and USAID

focus on promoting fair competition and a corruption-free business environment.⁵⁴

A few platforms set up by international organisations recognise and reward good CSR in an effort to get more companies interested: EuroCham runs the yearly “Green Biz Forum” and CSR awards for Cambodian private firms linked to the broader French foreign trade network,⁵⁵ while the Korean-Trade investment promotion agency runs a parallel annual award to recognise good CSR practices among Korean companies situated in Cambodia.⁵⁶



Furthering social entrepreneurship through CSR

Cellcard, a leading telecommunications company in Cambodia, has recently revised its corporate social responsibility programme to improve its social impact. Previously, money was doled out to worthy, but piecemeal projects. Now, Cellcard takes a more strategic approach to its investment by supporting social entrepreneurs through 10 annual events, as well as by funding physical platforms, such as co-working spaces, and individual entrepreneurs. Cellcard has also teamed up with Impact HUB to sponsor a series of social entrepreneur training courses.⁵⁷

52. Lien Centre for Social Innovation, 2014, From Charity to Change: Social investment in selected Southeast Asian countries

53. Chhabara, R., 2008, Increasing Cambodia's Competitiveness through Corporate Social Responsibility

54. Chhabara, R., 2008, Increasing Cambodia's Competitiveness through Corporate Social Responsibility

55. Eurocham Cambodia, 2015, 2016 Corporate Social Responsibility Awards

56. Council for the Development of Cambodia, 2013, CSR Award for Korean Companies in Cambodia

57. ASEAN Forum, 2015, Capitalising on Social Good

Crowdfunding fosters digital activism

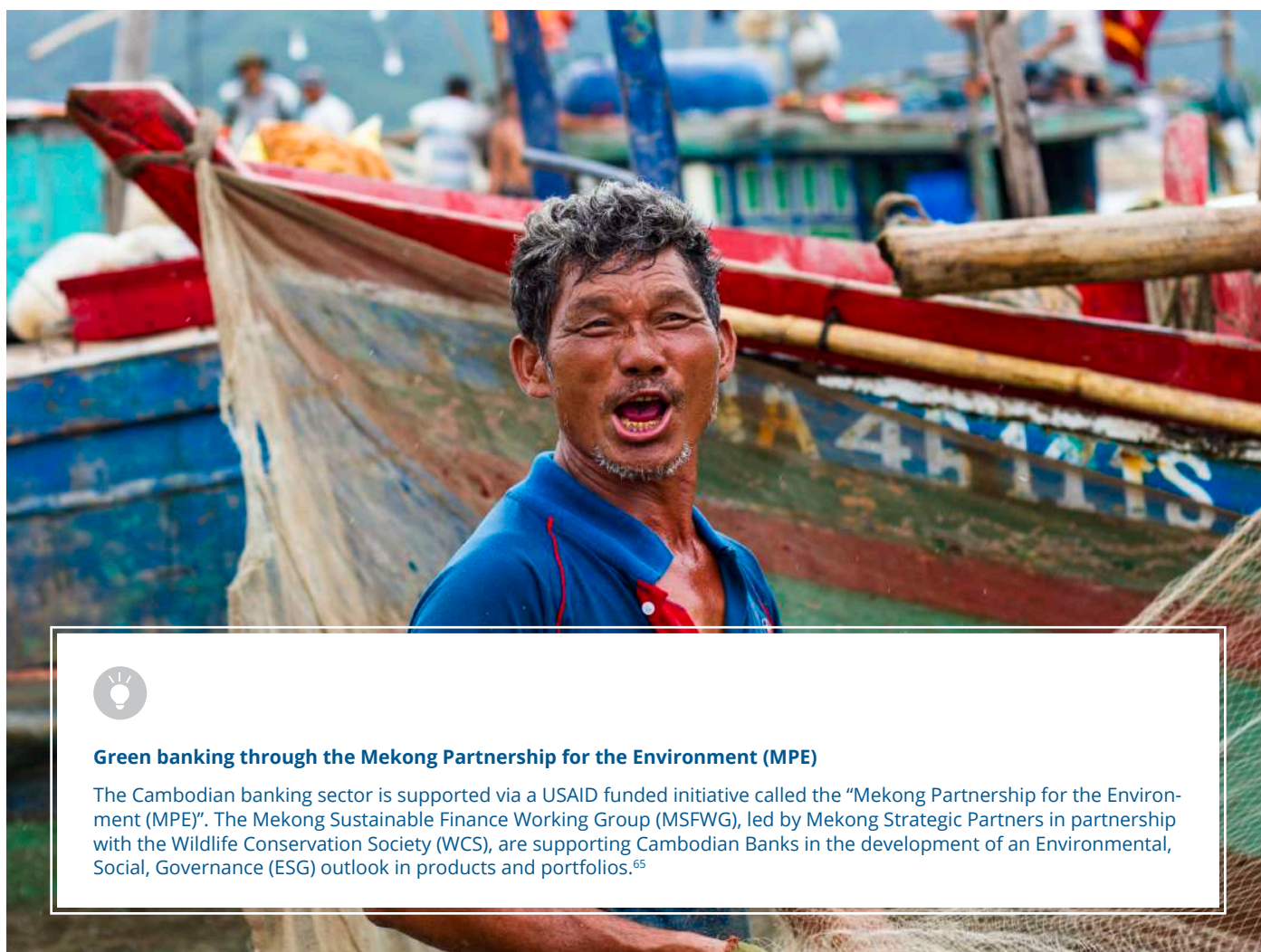
Crowdfunding is a very recent phenomenon in Cambodia: TosFUND, the country's first crowdfunding platform just launched in 2016.⁵⁸ The TosFUND project aims to facilitate fundraising of development projects and social causes in Cambodia through offline and online donations and rewards. TosFund has raised more than USD 17,000 since inception, from more than 1100 donors contributing to 20 different SPOs.⁵⁹

Given that less than 4% of Cambodians have access to an international credit card, international crowdfunding platforms have not been able to operate effectively in Cambodia. TosFUND has developed a local solution through a partnership with local ACLEDA Bank.⁶⁰ As they reach out to large online audiences, crowdfunding platforms have the potential to foster campaigning capacities for development initiatives in addition to fundraising for social causes.

Green finance for SMEs

According to the 2011 Cambodian Economic Census, Cambodia has more than 500,000 SMEs operating in the country, a figure that represents 99% of all businesses operating in the Kingdom and an estimated 1.67 million Cambodian jobs.⁶¹ Green finance for SMEs is fairly new, which presents an opportunity to bring in innovation through impact investment.⁶²

Existing responsible financing schemes focus on clean energy. The Clean Energy Revolving Fund operated by Nexus for Development⁶³ supports investments from agri-food SMEs in clean energy technologies and the SWITCH-Asia programme "MEET-BIS Cambodia"⁶⁴ promotes energy efficiency mainly in the tourism sector.



Green banking through the Mekong Partnership for the Environment (MPE)

The Cambodian banking sector is supported via a USAID funded initiative called the "Mekong Partnership for the Environment (MPE)". The Mekong Sustainable Finance Working Group (MSFWG), led by Mekong Strategic Partners in partnership with the Wildlife Conservation Society (WCS), are supporting Cambodian Banks in the development of an Environmental, Social, Governance (ESG) outlook in products and portfolios.⁶⁵

58. KhmerTimes, 2015, TosFund: Cambodia's First Crowdfunding Platform

59. Development Innovations, 2016, Crowdfunding Platform Boosts Shrinking Budgets for Civic Projects

60. Development Innovations, 2016, Crowdfunding Platform Boosts Shrinking Budgets for Civic Projects

61. Phnom Penh Post, 2014, SME policy to roll out in 2015

62. SwitchAsia and Adelphi, 2016, Enabling SME access to finance for sustainable consumption and












production in Asia - An overview of finance trends and barriers in Cambodia

63. Nexus for Development, <http://nexusforddevelopment.org/innovative-finance/>

64. Switch Asia, <http://www.switch-asia.eu/projects/meet-bis-cambodia/>

65. Pact and Mekong Strategic Partners, Cambodia Sustainable Finance Initiative

Cambodia has an underdeveloped social economy with significant growth potential given high interest from social investors and enablers

| CATEGORY | FACTOR | RATING | DESCRIPTION |
|------------------|---|---|---|
| SPOs | Legislative environment |  | SEs are not recognised by the Government in Cambodia. They operate either as for-profit or non-profit organisations. |
| | Government support |  | The government does not support SEs in any discernible manner including through legislation, funding, incubation or other forms of assistance. |
| | Presence, size, and maturity of SEs |  | There are 92 SEs and 260 revenue-generating NGOs with potential to become SEs. ⁶⁶ Digital Divide, Hagar International, Friends International, Sonas World and Mekong Quilts are examples of SEs that are scaling in terms of revenue and reach. ⁶⁷ |
| | SEs across sectors |  | Most SEs are urban-linked, present across crafts, tourism, agriculture, micro-finance, and education. ⁶⁸ |
| Investors | Philanthropic contributions |  | International foundations such as ADM Capital Foundation and Cambodia International Education Support Foundation follow an approach towards informed giving. Cambodia ranks low on the World Giving Index, indicating low activity around individual local philanthropy. |
| | Presence of social investors |  | Cambodia has a handful of social investors and funds: Insitor Fund SCA, Uberis Capital, Bamboo Finance, ARUN LLC, SIFEM, Mekong Brahmaputra Clean Development Fund, and Nexus for Development. |
| | Corporate sector |  | CSR activity is at its infancy in Cambodia. Companies are taking steps to comply with international ESG standards. |
| Enablers | Incubators, accelerators, and capacity-builders |  | Insitor Fund SCA, ARUN LLC, USAID Development Innovation and Impact HUB's EPIC programme provide incubation, acceleration and capacity building support. SmallWorld provides co-working spaces. SHIFT 360 and SEVEA Consulting provide capacity building. |
| | Networks and platforms |  | AVPN, IIX, Social Enterprise Cambodia, Nexus for Development and universities run platforms and networks for SEs. |
| | Knowledge and research |  | The Royal University of Phnom Penh, the Royal University of Law and Economics, and Limkokwing University hold classes, conferences, or seminars on the SE sector. The Royal University of Phnom Penh, in partnership with various agencies ran a series of social enterprise conferences from 2011 to 2014. ⁶⁹ |
| | Partnerships |  | There are a few cases of international agency partnerships such as the one between USAID Development Innovation and Impact HUB. |

66. Social Enterprise Cambodia, <http://socialenterprisecambodia.org/>

67. ChangeFusion, 2015, Financing the Long-tail: Catalyzing ASEAN debt-based social investment

68. ICSEM, 2015, Social enterprise in Cambodia

69. Lien Centre for Social Innovations, 2014, From Charity to Change: Social investment in selected Southeast Asian countries

OPPORTUNITIES

- Cambodia has a young population with a median age of 23.9 years. Juxtaposed with strong GDP growth projections, this demographic presents an excellent opportunity to harness local youth as human capital for the social economy.
- Although growing from a low base, financial access increased by 239% in Cambodia between 2011 and 2014, backed by a robust growth in the financial sector. Cambodia has a market-oriented financial sector which can serve as an essential base for livelihood enhancement/poverty alleviation among underprivileged populations.
- While the number of social enterprises in the country is estimated to be 92 among those that meet the criteria of delivering both social and economic value, there are 260 revenue-generating non-profits in Cambodia, many of them aspiring to become SEs. This signifies high future potential in growing the SE landscape.
- The leadership of Cambodian universities in the facilitation of SE conferences, workshops and events indicates an interest by recently graduated students to explore the potential for SE creation.
- SMEs comprise a strong segment of Cambodia's economy, and cross sectors from tourism over agriculture to crafts. Stronger partnerships between SMEs and SEs could enhance social and economic benefit, particularly to low-wage earners.
- Crowdfunding is very nascent with the first platform having opened only in 2016. Crowdfunding has the potential to bridge the early stage funding gap among SEs and encourage digital activism.



CHALLENGES

- The Cambodian government has not yet embraced the potential for SEs as a force for economic growth and social improvement.
- The aid mind-set is dominant among Cambodian SPOs, necessitating approaches to slowly move organisations towards creating and implementing alternative approaches to revenue generation.
- Corporations struggle to meet international regulatory guidelines and are not actively engaged in CSR.
- SMEs struggle to obtain adequate financing and infrastructure such as electricity, as well as struggle with a lack of human capital. While the microfinance landscape is well developed in Cambodia, SMEs usually require larger amounts of money than that offered by micro-credit.⁷⁰

RECOMMENDATIONS

The following recommendations emerge from interviews and landscape analysis:⁷¹

- **Development issues:**
 - While current funding has focused on financial access and clean energy (impact funds), education and health (grants), there is significant opportunity to fund high-gap areas such as maternal and infant health and nutrition, sanitation, energy access for underprivileged populations, and marine environmental conservation.
- **Social investment:**
 - The United Nations Capital Development Fund's Shaping Inclusive Finance Transformations (SHIFT) Challenge Fund co-finances innovative business models and/or cross-sector partnerships that have a commercially sustainable business plan to increase access to affordable financial services for women.
 - Cambodia has a few established SEs, a sizeable number of medium sized enterprises and NGOs,⁷² and a large number of smaller NGOs. Investing in smaller SEs through seed stage capital and provision of incubation support to grow can quickly scale reach and impact.

- International investors could partner with the range of regional and local investors in Cambodia such as Insitor Fund SCA, ARUN LLC and Nexus for Development to gain further insight into the social economy and offer more informed support.
- Given the nascent nature of SEs, there is a need for a sector-agnostic funding approach among investors in Cambodia.
- Angel investment is still at an early stage in Cambodia. Networks and platforms such as the Impact Hub EPIC programme could play a role in bringing together entrepreneurs and angel investors for more informed and deeper engagement.
- The venture philanthropy approach has gathered initial momentum in Cambodia, propelled by players such as ARUN LLC and Insitor Fund SCA. There is additional scope for corporates and foundations to partner with these organisations to support SEs.

- **Enablers:**

- Given the high interest among local universities such as Royal University of Phnom Penh to expose students to the social economy, investors and incubators could increase opportunities for fellowships or create more platforms such as the EPIC social incubator challenge. This could provide a way for young potential social entrepreneurs to immerse in the ecosystem effectively.
- Seasoned entrepreneurs could bring in significant value in terms of mentorship and a hands-on approach for social entrepreneurs. Cambodia has a fair presence of expatriates who are working in different capacities in the sector. Leveraging the skills and interest of these professionals could have significant benefit for early stage SEs.

RECOMMENDED READING

- ChangeFusion, 2015, Financing the Long-tail: Catalyzing ASEAN debt-based social investment
- ICSEM, 2015, Social enterprise in Cambodia
- Pact and Mekong Strategic Partners, Cambodia Sustainable Finance Initiative

70. SwitchAsia and Adelphi, 2016, Enabling SME access to finance for sustainable consumption and production in Asia - An overview of finance trends and barriers in Cambodia

71. Interview with Synergy Labs on April 25 2017

72. ChangeFusion, 2015, Financing the Long-tail: Catalyzing ASEAN debt-based social investment

INDONESIA

As the largest economy in Southeast Asia, Indonesia's numbers are impressive. An archipelago of more than 17,000 islands populated by 300 ethnic groups, Indonesia is the fourth most populous nation in the world, the eighth largest economy in purchasing power parity (PPP) terms, and a member of the G20 forum of major economies.¹

Its economy has charted an impressive growth trajectory since the 1997 Asian Financial Crisis.² Indonesia's gross national income (GNI) per capita has risen from USD 560 in 2000 to USD 3,374 in 2015. Until 2014, GDP growth averaged over 5% per annum, contributing to a reduction in poverty, which fell from 24% in 1999 to 11.4% in 2013.³ Growth has slowed since 2014. This indicates that policy reforms are required for inclusive economic development.

Indonesia has an expanding middle class and large young population equipped with considerable spending power. With the median age of 30, Indonesia's demographics underpin the rapid growth that is expected to continue over the next two decades,⁴ propelling it to the seventh largest economy in the world by 2030.⁵

1. World Bank, 2016 Indonesia Overview
2. World Bank, 2016 Indonesia Overview
3. World Bank, 2016, Reducing extreme poverty in Indonesia
4. Reserve Bank of Australia, 2011, The Growth and Development of the Indonesian Economy
5. McKinsey, 2012, The archipelago economy: Unleashing Indonesia's potential



FACT FILE

Population
2016

258 million

GDP (PPP)
2016

3.03 trillion

World Rank 8

World Giving Index Rank
2016

7

(22 in 2015)

- % giving money — 75
- % volunteering time — 50
- % helping a stranger — 43

Poverty
2014

11.3%

Per capita GDP (PPP)
2016

USD 11,720

World Rank 96

COUNTRY CONTEXT FOR INVESTORS

| FACTORS | INDEX SCORE /RANK | DESCRIPTION |
|--------------------------------------|-----------------------|--|
| GDP Growth (2016) | 4.9% | The economy advanced 4.9% in 2016, higher than the 4.8% GDP growth in 2015. It is expected to grow at 5.1% in 2017. |
| Governance (2015) | -0.3 | Indonesia ranked above 42% of 215 countries and territories in the 2015 World Bank's Worldwide Governance Indicators. |
| Consumer Market (2015) | USD 1350 billion | Consumer spending increased by 2.6% from 2014 to 2015. Rapid urbanisation has fuelled an increase in incomes and spending power. ⁶ |
| Labour Force (2016) | 127 million | Indonesia's labour force increased by 1.3% from 125 million in 2015 to 127 million in 2016. |
| Infrastructure (2016) | 4.2 | Indonesia ranked 60 out of 138 countries for infrastructure in the 2016 WEF's Global Competitiveness ranking. ⁷ The government has put in place a robust institutional framework for infrastructure investment, with 13 economic policies for tax deregulation and increasing competitiveness. ⁸ |
| Financial Access (2014) | 36% of population | There was an 83% increase in access to formal banking in three years from 19.6% in 2011 to 35.9% in 2014. |
| Digital Access (2015) | 22% of the population | Internet penetration increased by 28% from 2014 to 2015. ⁹ Number of smartphone users in Indonesia is expected to rise from 55 million in 2015 to 92 million in 2019. ¹⁰ Indonesia has 3rd largest smartphone market in Asia. ¹¹ |
| Ease of Doing Business (2016) | 91/190 | Indonesia moved up from 106 in 2015 to 91 in 2016 in the Ease of Doing Business ranking. Indonesia has instituted several policies and incentives to climb up to rank 40 by 2017. ¹² |

Source: CIA, International Telecommunication Union (2015), OECD (2017), WEF (2016), World Bank (2016)

Note: Computation in this section is described in the Methodology.

■ Favourable ■ Moderately favourable ■ Unfavourable

6. McKinsey & Company, 2014, The evolving Indonesian Consumer

7. WEF, 2016, The Global Competitiveness Report 2016-2017

8. Reserve Bank of Australia, 2011, The Growth and Development of the Indonesian Economy

9. International Telecommunication Union, 2015, Percentage of Individuals using the Internet

10. Indonesia Investments, 2016, Indonesia Has 100 Million Internet Users, Internet Penetration at 40%

11. Straits Times, 2017, Fintech firms see huge potential in e-commerce in Indonesia

12. Doing Business, 2017, Indonesia Overview



DEVELOPMENT GAPS IN INDONESIA

Indonesia's economic growth has not been entirely equitable. Only 20% of Indonesians have benefited from the increase in economic wealth during the last decade, while 80% or more than 200 million people have not.¹³ Consequently, the key themes of focus in the country, as highlighted by the gaps in the SDG dashboard, are reducing income inequality, increasing

access to education, ensuring health and sanitation, boosting the productivity of low-income workers, and protecting the environment.¹⁴

In recent years Indonesia's environmental sustainability has become a matter of global concern. Regular burning of forests to clear land for palm oil plantations has destroyed over 2 million hectares of rainforest, besides causing catastrophic air pollution in neighbouring countries.¹⁵

SDG DASHBOARD

Source: sdgindex.org (2016)















13. World Bank, 2016, Reducing inequality in Indonesia

14. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in select Southeast Asian countries,

15. The Guardian, 2015, Indonesia's forest fires: everything you need to know

GOVERNMENT FOCUS ON DEVELOPMENT GAPS

| FOCUS AREA | SDG GOALS | GAP | GOVERNMENT FOCUS |
|--|---|---|---|
| Agriculture |    | 13.6% of Indonesia's GDP comes from agriculture. ¹⁶ The crop production index rose slightly from 135.6 in 2012 to 136.6 in 2013. ¹⁷ | The Master Strategy on Agricultural Development focuses on increasing yield for smallholder farmers. The National Programme for Community Empowerment (PNPM Mandiri) focuses on sustainable farming and food security. |
| Climate action |  | Indonesia ranked 36 out of 173 countries in the 2016 World Risk Index. ¹⁸ More than 80% of its provinces are highly prone to natural disasters. Burning forests to clear land for palm oil cultivation makes Indonesia the third-largest greenhouse gas (GHG) emitter, after the US and China. ¹⁹ | Indonesia's Intended Nationally Determined Contribution (INDC) goal is to reduce greenhouse gas (GHG) emissions by 26% by 2020. ²⁰ A 2016 moratorium on clearing peatland and a resolution to restore 2 million hectares of degraded peatlands could reduce Indonesia's carbon dioxide emissions annually by 5.5–7.8 gigatonnes by 2030. ²¹ |
| Education |  | Despite nearly 100% primary school enrolment (2014), more than 5.3 million children were out of school as of 2016. ²² | The Ministry of Education and Culture has established the Education Sector Analytical and Capacity Development Partnership (ACDP) to promote education policy dialogue and facilitate institutional and organisational reform. ²³ |
| Energy access |  | 96% of the population has access to electricity. ²⁴ Remote regions and islands, however, depend on subsidised, high-cost diesel fuel. | Indonesia's goal is to increase the share of renewable energy in its total energy mix to 23% by 2025. The Sustainable Energy for Remote Indonesian Grids (SERIG) project, for instance, is accelerating the deployment of renewable energy in remote regions. ²⁵ |
| Healthcare, water and sanitation |   | The health insurance ecosystem is fragmented, with private insurance for some, state support for the poorest, and NGOs for the rest. ²⁶ In 2015, only 61% of the population had access to improved sanitation. ²⁷ | The government-supported Universal Health Coverage system seeks to provide all citizens and residents with access to basic health coverage by the end of 2018. ²⁸ The National Rural Water Supply and Sanitation Programme (PAMSIMAS) aims to improve existing facilities and expands access through a community-based approach. ²⁹ |
| Small and medium-sized enterprise (SME) growth |   | Indonesia's SMEs contributed 60.6% of Indonesia's GDP in 2015. ³⁰ Bank loans, however, made up only 6% of SME funding in the same year. | Under the Kredit Usaha Rakyat (KUR) scheme, the Ministry of Finance provides insurance for 70% of loans given to SMEs, with banks taking on the remaining 30% of risk. ³¹ |
| Social security |   | 60% of Indonesian workers belong to the informal sector, where social services are limited. ³² | The National Social Security System has set up two not-for-profit administering bodies to cover social services including healthcare, work-injury, survivors' benefits, provident fund, and pensions. |

Source: ILO, OECD, SDGIndex.org (2016), UNDP, UNEP, UNESCO, WHO, World Bank, wssinfo.org

16. Indonesia Investments, 2016, GINI Ratio Indonesia Declines: Economic Inequality Narrows

17. World Bank, Crop production index

18. United Nations University's Institute for Environment and Human Security, 2016, World Risk Report

19. Indonesia Investments, 2014, Commodities - Palm Oil

20. United Nations Frameworks Convention on Climate Change, Intended Nationally Determined Contribution Republic of Indonesia

21. Press Reader, 2016, New initiative to protect the peatland

22. United Nations Partnership for Development Framework, 2016, Indonesia UN Partnership for Development Framework

23. ACDP Indonesia, 2015, School Dropout becomes a barrier

24. World Bank, Access to electricity (% of population)

25. Sustainable Energy for Remote Indonesian Grids Project, 2017, Fact sheet

26. The Guardian, 2015, Indonesia's universal health scheme: one year on, what's the verdict?

27. WHO, <https://www.wssinfo.org/>

28. EY, 2015, Ripe for investment: The Indonesian health care industry post introduction of universal health coverage

29. World Bank, 2013, Indonesia: expanding clean water access to the poor

30. The Jakarta Post, 2016, RI SMEs struggle to access finance

31. Asia-Pacific Economic Cooperation, <http://www.asean.org/directory/kredit-usaha-rakyat>

32. Social Protection, 2014, Indonesia

THE SOCIAL INVESTMENT LANDSCAPE IN INDONESIA

Indonesia has made progress in its social economy in the last two years, with the country slowly transitioning to the rapid growth stage. The social economy is characterised by the presence of over 454 social enterprises (SEs) across key sectors, newly invested capital to the tune of USD 20 million between 2014 and 2016, increased number of international and regional impact investors, emergence of local investors, and emerging areas such as crowdfunding.³³

Indonesia saw its first non-governmental organisation (NGO) in the early 1970s, sanctioned by the Suharto regime in response to specific social needs. These NGOs received government funding and were tightly regulated. International NGOs such as Hivos arrived with the growth of aid in the 1980s. SEs have been a recent phenomenon, emerging in the light of the global discussion around impact investing in 2009. SEs have grown in response to gaps in government delivery of services and the absence of equitable market models in sectors such as agriculture.³⁴

Legislative environment

There are no specific legal structures for SEs in Indonesia. The process of setting up social purpose entities in Indonesia involves a high degree of bureaucracy, delays of up to 60 days, and considerable expense.³⁵ There are additional bureaucracy and

SEs may take the following structures:

| STRUCTURE | PURPOSE |
|--------------------------------|---|
| Cooperative | These are membership-based organisations with no tax benefits. |
| Financial institution (PT LKM) | An organisation that disburses micro-finance for SEs as well as community-based organisations come under this category. PT LKMs can make profit but are not entitled to tax benefits. |
| Foundation (Yayasan) | A foundation is a charity-based organisations that doesn't make profit and can receive tax benefits. |
| Association (Perkumpulan) | A social purpose organisation (SPO) that doesn't make profits and is formed by at least 3 Indonesian citizens. |
| Enterprise (PT) | This is a profit-making, limited liability organisation, with shareholders and investors. |



expenses involved in obtaining sector specific licenses.³⁶ The applicable regulations are:³⁷

Supply side

Foreign institutions can directly invest in a company (PT) only if it is listed as PT PMA (foreign owned company) or PT PMV (venture capital).

Demand side

SEs in Indonesia are understood as those that have an embedded social-business mission, deliver a social purpose, and balance profitability with social impact.

33. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia
34. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in select Southeast Asian countries

35. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia

36. ANGIN has identified the regulation requirements, constraints and support that most social enterprises face along their lifetime, which is summarised in the report 'Social Finance and Social Enterprises: A New Frontier for Development in Indonesia'

37. BCG, 2015, The Art of Sustainable Giving: Priorities to Accelerate Social Enterprise Growth in Indonesia

DEMAND, SUPPLY AND SUPPORT ECOSYSTEM IN INDONESIA

| | DEMAND | | | |
|--------|--|---|--------------------------------------|------------|
| | Charities/Non-profits | Social Enterprises | Businesses with Sustainability Focus | Businesses |
| SUPPLY | Foundation/ Trust/Family Office | Bill and Melinda Gates Foundation (Grant) | | |
| | | Ciputra Foundation (Grant) | | |
| | | Ford Foundation (Grant, Equity) | | |
| | | Inspirasia Foundation (Grant) | | |
| | | Japfa Foundation (Grant, Equity) | | |
| | | Nippon Foundation (Grant) | | |
| | | Putera Sampoerna Foundation (Grant) | | |
| | | Rockefeller Foundation (Grant) | | |
| | | Tahir Foundation (Grant) | | |
| | | Tanoto Foundation (Grant) | | |
| | | The Sasakawa Peace Foundation (Grant, Equity) | | |
| | Corporate | DBS Foundation (Grant) | | |
| | | | | |
| | | Aavishkaar (Equity) | | |
| | | | | |
| | | Accion International (Equity) | | |
| | | | | |
| | | Angel Investment Network Indonesia (Convertible Debt, Debt, Equity) | | |
| | | | | |
| | | DFID Impact Fund (Equity, Debt) | | |
| | | | | |
| | | Global Innovation Fund (Equity) | | |
| | Impact Fund | Kinara Indonesia (Equity) | | |
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| | | LGT Impact Ventures (Grant, Equity) | | |
| | | | | |
| | | Mercy Corps Social Venture Fund (Debt) | | |
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| | | Omidyar Network (Grant, Equity) | | |
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| | | PBMT Social Ventures (Debt) | | |
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| | | | responsAbility (Debt, Equity) | |
| | Financial Institution | | | |
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Key actors in the social economy in Indonesia with a few examples of investing across entities. Source: ADB, ANGIN-UNDP (2016), AVPN-Sattva analysis, BCG (2015), Lien Centre for social innovation (2015), USB-INSEAD (2011), press articles



Religious funds adopt venture philanthropy approach

Religious funds are taking the lead in triggering the process of well-managed and strategic philanthropy in Indonesia. Dompet Dhuafa and Rumah Zakat, the largest zakat collectors, for example, have laid the groundwork for informed giving.

They invest in traditional charities as well as SMEs and other local businesses, particularly in education and health, for the achievement of SDG goals and HDI targets. They invest heavily in IT and operational management programmes to support SPOs in addressing efficiency and transparency. They also partner with the government, international organisations and other NGOs to aggregate funds for better results.³⁸



KEY SOCIAL INVESTORS AND INVESTMENT TRENDS

Religious funding contributes to a major share of local grants

Indonesia is home to the largest population of Muslims in the world. There is a wide prevalence of donating 2.5% of one's annual income to charity (zakat), which typically takes place during the Ramadan festival. This is the single largest source of philanthropic contribution. In 2011, collections from zakat were estimated to be USD 180 million. The full potential of zakat is an estimated to be USD 23.4 billion in 2017, 4% of Indonesia's GDP.³⁹ The government participates in collecting and managing zakat, most of which is used in community welfare programmes.

Family foundations and high net worth individuals (HNWIs) have moved on from pure charity models

Private wealth in Indonesia has been growing constantly. The HNWI population is forecast to grow by 35.8% to reach 53,928 with HNWI wealth projected to grow by 36.8% to reach USD 336.7 billion by 2019.⁴⁰

Indonesia ranks among the top 10 countries in the world in charitable giving.⁴¹ Most renowned philanthropists have established family foundations to channel their giving towards strategic areas.

The Tahir Foundation, Mien R. Uno Foundation, Putera Sampoerna Foundation, Ciputra Foundation, Eka Tjipta Foundation, Arsari Djojohadikusumo Foundation and Tanoto Foundation are leading foundations managed by HNWI establishments. Family foundations are primary contributors to causes such as poverty, education and health. They are also the largest contributors to religious causes (7%) in

Indonesian HNWIs have a significant orientation towards social impact – in a 2017 report, 51% of Indonesian HNWIs cited social impact as extremely important, the highest percentage globally and substantially greater than the rest of the world average of 22.8%.



Figure 1: Focus of HNWI social investments.
Source: CapGemini, Asia Pacific Wealth Report, 2016.

38. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in select Southeast Asian countries

39. The Indonesian National Zakat Board, 2017, 2017 Indonesia Zakat outlook

40. Global Information Inc., 2016, High Net Worth Trends in Indonesia

41. CAF, 2014, The CAF World Giving Index Report



Bridging the finance gap for SMEs

The Putera Samporna Foundation (PSF) has a clear 'theory of change,' built around strategic investment in four pillars—education, women empowerment, entrepreneurship, and relief. What sets PSF apart is its execution – the foundation works with multiple partners and invests in creating and nurturing local communities.

PSF recently funded the establishment of 'Mekar', an online peer-to-peer lending platform that bridges the financing gap for SMEs. Mekar finances small Indonesian businesses with loans between USD 3,000 and USD 50,000. The cornerstone of the operation is that entrepreneur agents are equipped with mobile apps. The agents use the app for leads, loans, monitoring and collections.

Asia.⁴² An increasing number of family foundations in Indonesia are professionally managed and focus deeply on one or two social causes. Each of the above quoted foundations has designed and implemented innovative, sustainable grant-funded programmes in Indonesia.⁴³

Corporate social responsibility (CSR) is characterised by weak execution

Indonesia has been an early mover in CSR: back in 2007, the government instituted a legislation mandating 2% share of profits from extractive industries for CSR. However, the government has not followed up the legislation with guidelines or reporting mandates, resulting in the law largely being regarded as ineffectual. While CSR is said to be non-strategic and sporadic,⁴⁴ most funding for non-profits and SEs seems to come from multinational corporations (MNCs).⁴⁵ For instance, Kopernik, a last-mile technology distribution enterprise, receives regular grant funding from ExxonMobil, Philips, and Energia.⁴⁶

Innovation in pooled philanthropic capital

Indonesia has multiple pooled funds that enable partnerships between various entities. The Community Recovery Programme (CRP), a consortium of 27 NGOs and overseas funders, for example, supports community-based-organisations (CBOs) in tackling poverty through long-term funding. The fund has moved from a welfare approach to sustainability by replacing grants with revolving loans, multi-stakeholder approaches and decentralised decision-making.⁴⁷

Another recent example is the SDG Philanthropy Forum, established by Ford Foundation, Hilton Foundation and Mastercard Foundation, together with UNDP in 2015. The Forum facilitates collaboration and partnerships between philanthropy organisations, government, private sector and general public towards the SDGs.⁴⁸

Indonesia has also deployed environment conservation funds using pooled capital from overseas funders, levies on private sector, and debt-for-nature swaps. These are executed in specific forest regions. Leading examples include: Indonesian Reforestation Fund (IRF), focusing on rehabilitation of forest land, and Yayasan Kehati (the Indonesia Biodiversity Foundation), focusing on innovative ways to preserve and manage biodiversity.⁴⁹

Crowdfunding as an emerging source of capital

Crowdfunding is an emerging phenomenon in Indonesia.⁵⁰ Kitabisa.co.id, for instance, is a leading crowdfunding platform for social causes that is looking at investing in SEs. UnLtd Indonesia has invested in GandengTangan, a non-interest crowdfunding platform dedicated to SEs where lenders receive their exact funds back without any interest.⁵¹ iGrow is an agricultural platform raising capital for farm inputs from urban social investors.⁵²

42. UBS-INSEAD, 2011, Family Philanthropy in Asia

43. UBS-INSEAD, 2011, Family Philanthropy in Asia

44. Lien Centre for Social Innovation, 2013, Contextualising CSR in Asia: Corporate Social Responsibility in Asian economies

45. Interviews with Sasakawa Peace Foundation on 30 March 2017, Nippon Foundation on 17 April 2017, YCAB Ventures on 31 March 2017, Kopernik on 30 March 2017

46. Interview with Kopernik on 30 March 2017

47. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in select Southeast

Asian countries

48. The REDD Desk, 2013, REDD in Indonesia

49. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in select Southeast Asian countries

50. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia

51. Tech in Asia, 2016, 7 crowdending sites in Indonesia

52. iGrow, <https://igrow.asia/home/>



Local impact fund: YCAB Ventures

One of the few local Indonesian impact investors, YCAB has evolved from being a non-profit foundation focused on sustainable youth development to including for-profit entities which offer products and services to emerging consumers, including microloans to low-income women entrepreneurs on the condition of child enrolment in an education programme.

YCAB Ventures was setup to function more as an ecosystem builder, in order to facilitate the growth of young SEs. YCAB invests in priority areas such as inclusive finance, education, entrepreneurship, and youth employment, at the post-revenue stage, and over tenures of 5-10 years. YCAB offers regular training and workshops for SEs. YCAB also plays the role of an ambassador of the social economy in Indonesia.⁵³

Active impact investor presence and support

Despite the regulatory constraints on foreign investment in Indonesia, there is an active presence of impact investment organisations and funds that are investing in early and growth stage SEs. About 30 international investors were present as of 2016, and 25 are looking to start operations in Indonesia. Deal flow up to 2015 is estimated at USD 300 million,⁵⁴ with focus sectors being financial access, education, and youth employment. There are also opportunities for investment in agriculture, fishery and technology,

based on current SE growth trends. Debt has been the most common financing instrument.⁵⁵

Indonesia is also seeing the emergence of home-grown impact investors such as ANGIN (Angel Investment Network Indonesia), Kinara Indonesia and YCAB Ventures, who are operating with local funds.

UnLtd Indonesia supports early-stage SEs by providing grants and incubation programmes with the goal of making them sustainable. Since its inception, UnLtd Indonesia has provided support to 28 SEs in various sectors including agriculture, ICT, disability issues and child education.

Recent investments in Indonesia (2015–2016)

| Social enterprise | Investor | Sector | Instrument | Amount | Details of work |
|---|---|------------------|------------|-----------------|---|
| Institute Deliverologi Indonesia Foundation | The David and Lucile Packard Foundation | Environment | Grant | USD 800,000 | The investment will be used for continued support of the placement of expert staff on a limited term basis into Indonesia's Ministry of Maritime Affairs and Fisheries Delivery Unit. |
| m-clinica | Unitus Impact | Health | Equity | USD 6.3 million | m-clinica deploys data-driven programs that improve patient affordability and health outcomes. |
| Amartha | BEENEXT and Mandiri Capital | Financial access | Equity | USD 30 million | Amartha is a peer-to-peer lending platform for the unbankable society, connecting microenterprises, and SME and investors. |

Source: dealstreetasia.com, Foundation Center

53. Interview with YCAB Ventures on 31 March 2017

54. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia

55. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia

The social economy in Indonesia is rapidly growing with the strong backing of international and local impact investors and hands-on support from network builders

| CATEGORY | FACTOR | RATING | DESCRIPTION |
|------------------|---|--------|--|
| SPOs | Legislative environment | | The process of setting up enterprises is complicated and long drawn, with no specific legal structures for SEs. |
| | Government support | | Government has actively supported SEs in sectors such as financial access. |
| | SEs across sectors | | Aligned to SDGs, SEs are found across focus sectors such as agriculture, fishery, healthcare, fintech, and education. ⁵⁶ |
| | Presence, size, and maturity of SEs | | There were 454 organisations with a social mission as of 2015. ⁵⁷ Most SEs need support and capital to become profitable enough to attract mainstream financial market. ⁵⁸ Ruma, BinaSwadaya, East Bali Cashews and YCAB are prominent SEs that have scaled. ⁵⁹ |
| Investors | Philanthropic contributions | | A rich tradition of religious giving, complemented by innovative approaches from family foundations is providing a strong framework for grant-funding. |
| | Presence of social investors | | Indonesia is seen as the most attractive social investing market in Southeast Asia. 30 investors are already present and 25 are setting up offices in the country. Volumes of investing are low due to the lack of an investable pipeline. ⁶⁰ |
| | Corporate sector | | Despite the CSR mandate for extractive industries, local corporate contribution is basic. MNCs have been predominant grant funders. ⁶¹ |
| Enablers | Incubators, accelerators, and capacity-builders | | Good presence of several enablers: ⁶² incubators (INOTEK, Kinara Indonesia), accelerators (Google Launchpad, UnLtd Indonesia, Endeavor), competitions (Danone Young Social Entrepreneur, DBS-NUS award), corporate pro-bono programmes (BCG, PwC). |
| | Networks and platforms | | Ashoka, ANGIN, AVPN, British Council, East Ventures and Sankalp Asia conduct regular meetings and workshops. |
| | Knowledge and research | | ANGIN, British Council, the Lien Centre for Social Innovation, UNDP and UnLtd Indonesia regularly publish research and reports. |
| | Partnerships | | Social enterprise weekends hosted by ANGIN and East Ventures and the partnership between LGT IV and GEPI are examples of grant funders and impact investors coming together for co-investing models, mentorship and support. |
| | Impact measurement | | Most social investors measure operational and financial metrics, but social KPIs are not measured, due to the early stage of SEs. There is a lack of organisations to support assessments. ⁶³ |

Partnership Opportunity

56. Global Business Guide Indonesia, 2013, An Outlook on Indonesia's Microfinance Sector
57. BCG, 2015, The Art of Sustainable Giving: Priorities to Accelerate Social Enterprise Growth in Indonesia
58. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia
59. "YCAB has evolved into a group of social enterprises. YCAB business units, which consist of PT YADA Indonesia, Terrazone, Beauty Inc. and YCAB Cooperative, have been generating revenues that help support YCAB's Indonesia operation." (<http://www.ycabfoundation.org/en/what-we-do/how-we-sustain/>)
60. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia

61. Interviews with Sasakawa Peace Foundation on 30 March 2017, Nippon Foundation on 17 April 2017, YCAB Ventures on 31 March 2017, Kopernik on 30 March 2017
62. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia
63. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia



OPPORTUNITIES

- Rapid growth of internet and smartphone penetration in Indonesia can be leveraged to foster technological innovations in health, education and agriculture.
- Financial access is growing in Indonesia, as demonstrated by the 83% increase in access to formal banking between 2011 and 2014. This provides opportunities for SEs in fintech as well as community-based organisations such as microfinance institutions.
- Given the scale and operations of Indonesian corporates, there is a significant opportunity to bring in business expertise to mentor and provide support to SEs.
- Philanthropic capital in the form of zakat could potentially grow to USD 23.4 billion, 4% of Indonesia's GDP. Being the single largest source of philanthropic capital for socio-economic development in Indonesia, zakat funds can play a significant role in growing the venture philanthropy approach.
- Emerging landscape for crowdfunding offers SEs an opportunity to mobilise short-term capital from individual social investors.
- The social economy is gaining significant

momentum through the presence and engagement of international and local Indonesian impact investors. Organisations such as Omidyar, Kinara, ANGIN, and YCAB Ventures can help advance Indonesia's ecosystem for social impact.

- The quality of incubation support has improved over the last few years. Incubators such as YCAB and UnLtd Indonesia provide robust programmes to scale SEs.

CHALLENGES

- The legislative environment for both investors and entrepreneurs involves high bureaucracy and considerable expenses.
- SE activity and support ecosystems are limited to urban areas.
- A few impact investors such as LGT IV and Grassroots Business Fund have exited due to the lack of an investable pipeline.
- Global impact metrics are barely used due to low demand in the market and high cost associated with implementation. Social investors generally do not expect entrepreneurs to produce comprehensive reports, as they are still in the early stages.

- Despite growing presence of investors and incubators, access to strong mentors and industry expertise remains inadequate. Most programmes rely on voluntary support from mentors, hence making it an occasional engagement.⁶⁴

RECOMMENDATIONS

The following recommendations emerge from interviews and landscape analysis:

- **Development Gaps:**

- Health care (high maternal mortality rate and child malnutrition), water and sanitation, social protection, and environment conservation are high-gap areas where private sector investment can bring about significant change.

- **Social Investment**

- There is a gap in funding in the range USD 100,000 - 1 million. Closing this gap would benefit early-stage SEs, as most funding is focused on growth-stage enterprises.
- There is a need for more ambassadors in the space to promote the idea of patient capital among the investor community and encourage local banks to develop social finance products.
- Practical guides and compendiums on investments and activities in the regions can help investors be more engaged with the space.
- Galvanising CSR towards providing seed funding can encourage other capital investors to co-invest.
- UNDP has recently proposed a discussion on corporates offering incubator grants to SEs. UNDP is actively involved in initiating the relationship between SEs and corporations. This initiative provides an opportunity for corporates to begin supporting SEs.⁶⁵
- There is a need to encourage more SEs outside of urban areas to tackle rural issues. Investors could allocate a part of their portfolio to discovering and supporting rural SEs.
- Proven social venture business models from other parts of Asia can be contextualised and implemented in Indonesia, as this could help

increase success rates and create role models for SEs.

- **Enablers**

- There is a critical need to nurture talent in the SE space in Indonesia to help strengthen execution. Corporates and volunteer networks can partner with local organisations such as ANGIN, YCAB, UnLtd Indonesia to build capacity and business acumen among SEs.
- A significant number of young people are interested in social impact and starting enterprises. However, the level of awareness around legislation and competencies to set up operations is low. Enablers should take a hands-on approach towards helping youth set up and manage SEs.

"We meet a lot of young people who are excited about playing a role in social impact; the interest in SEs is growing rapidly. We need more ambassadors for the space and funders to exercise creativity in deploying practical, need-of-the-hour investing solutions. While there is much action in Jakarta, we see huge potential in tier-2 and tier-3 cities. Investors should fund more rural enterprises."

Susli Lie, YCAB Ventures

RECOMMENDED READING

- ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia
- BCG, 2015, The Art of Sustainable Giving: Priorities to Accelerate Social Enterprise Growth in Indonesia

⁶⁴. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia
⁶⁵. ANGIN-UNDP, 2016, Social Finance and Social Enterprises: A New Frontier for Development in Indonesia

MALAYSIA

Malaysia can be likened to two contrasting countries in one, cleaved into parts by the South China Sea. While the northern peninsula is full of bustling cities, the island of Borneo is rich in biodiversity. An upper-middle income country with a highly open, free trade economy, Malaysia is one of 13 countries in the world to have recorded an average economic growth of more than 7% annually for 25 years or more by 2015. Malaysia has nearly eradicated poverty, with 0.3% of the population living under USD 1.9 a day (2014).¹

The Malaysian economy relies heavily on foreign migrant workers. According to official statistics, there were more than 1.6 million migrant workers in Malaysia by the end of July 2012, accounting for almost one third of the total labour force in the country.²

A founding member of the Association of Southeast Asian Nations (ASEAN), the country has developed peaceful and neutral relations with its neighbouring countries with strong emphasis on security and stability of Southeast Asia.³

Malaysia's relatively young demography with the median age of 28.2 presents a strong potential to increase labour productivity and innovation for sustained development.⁴ Access to quality education, social protection, labour force participation of women and older persons and healthcare are regarded critical factors in Malaysia's pursuit of inclusive growth.⁵

1. World Bank, 2017, Malaysia Overview
2. International Labour Organisation, The ILO in Malaysia
3. Ministry of Foreign Affairs, <http://www.kln.gov.my/>
4. World Map, 2017, Map by Media Age
5. OECD, 2016, Economic Assessment of Malaysia 2016



FACT FILE

Population
2016

30.95 million

GDP (PPP)
2016

863.2 billion
World Rank 28

World Giving Index Rank
2016

22

(10 in 2015)

- % giving money - 57
- % volunteering time - 33
- % helping a stranger - 48

Poverty
2009

3.8%

Per capita GDP (PPP)
2016

USD 27,267
World Rank 46

COUNTRY CONTEXT FOR INVESTORS

| FACTORS | INDEX SCORE /RANK | DESCRIPTION |
|--------------------------------------|-----------------------|--|
| GDP Growth (2016) | 4.3% | GDP growth was moderate at 4.3 % in 2016. In 2017, the Malaysian economy is projected to grow between 4.5 to 5%. |
| Governance (2015) | 0.4 | Malaysia ranked above 68% of all the countries in the 2015 World Bank's Worldwide Governance Indicators. |
| Consumer Market (2015) | USD 381 billion | Consumer spending in Malaysia increased by 6% from 2014 to 2015. Purchasing power of the people in Malaysia is one of the highest in Asia. ⁶ |
| Labour Force (2016) | 15 million | The national workforce increased by 2.6% from 2015 to 2016. Nearly three-quarters of the Malaysian labour force was low-skilled as of 2010. ⁷ |
| Infrastructure (2016) | 5.4 | Malaysia ranked 24 of 138 for infrastructure in the 2016 WEF's Global Competitiveness ranking. Malaysia's persistent drive to develop and upgrade its infrastructure has resulted in one of the most well developed infrastructure among the newly industrialising countries of Asia. ⁸ |
| Financial Access (2014) | 81% of the population | Financial access increased by 22% from 2011 to 2014. Malaysia recognises the importance of financial inclusion as a strategy towards sustainable long-term growth. ⁹ |
| Digital Access (2015) | 71% of the population | Internet penetration increased by 12% from 2014 to 2015. Malaysia had 144 mobile-cellular subscriptions per 100 inhabitants in 2015. ¹⁰ |
| Ease of Doing Business (2016) | 23/190 | Malaysia's Ease of Doing Business rank slightly moved from 22 in 2015 to 23 in 2016. Malaysia's attractive business environment and market potential are due to widespread English usage, relaxed foreign exchange, ability to repatriate capital and profits, a well-established legal framework and good infrastructure. ¹¹ |

Source: CIA, International Telecommunication Union (2015), OECD (2017), WEF (2016), World Bank (2016)

Note: Computation in this section is described in the Methodology.

■ Favourable
 ■ Moderately favourable
 ■ Unfavourable

6. Santander Trade Portal, 2017, Malaysia: Reaching the Consumer
7. OECD, 2017, Structural Policy Country Notes Malaysia
8. OECD, 2013, OECD Investment Policy Reviews: Malaysia 2013

9. Bank for International Settlements, 2012, Financial Inclusion in Malaysia
10. Statista.com, Number of internet users in Malaysia from 2015 to 2021 (in millions)
11. Export.gov, 2017, Doing Business in Malaysia

Number of millionaires
2016

31,000
(0.1 % of population)

Global Competitiveness Index
2016

25
(18 in 2015)

Source: CIA, Charities Aid Foundation (CAF, 2016), Credit Suisse (2016), IMF (2016), OECD (2016), World Bank (2017), World Economic Forum (WEF, 2016)

DEVELOPMENT GAPS IN MALAYSIA

Malaysia maintains a good track record in healthcare and sanitation. Under-5 mortality has been reduced to 7 cases per 1000 births (2014), while 97% of the population has access to improved water. Education presents a success story as well — the primary school enrolment rate was 98% and adult literacy rate was 94.6% as of 2015.¹²

The Eleventh Malaysia Plan for the period 2016-2020 identifies six 'game changers' - innovative approaches that will lead to economic development and inclusive growth, namely: (i) unlocking the potential of productivity, (ii) uplifting the bottom 40% households towards a middle-class society, (iii) enabling industry-led technical and vocational education and training, (iv) embarking on green growth, (v) translating innovation to wealth, and (vi) investing in competitive cities.









SDG DASHBOARD

Source: sdgindex.org (2016)



12. World Bank, World Bank Open Data

GOVERNMENT FOCUS ON DEVELOPMENT GAPS

| FOCUS AREA | SDG GOALS | GAP | GOVERNMENT FOCUS |
|---------------------|---|--|---|
| Climate action |    | CO ₂ emissions per capita were at 8.03 metric tonnes in 2013 as compared to Thailand at 4.49 and Indonesia at 1.91 metric tonnes. World Risk report 2016 ranked Malaysia 86 out of 171 countries, placing it in the 'high exposure' category to climate change. | Malaysia plans to reduce greenhouse gas emissions intensity by 45% by 2030 relative to the 2005 levels. ¹³ The Eleventh Malaysia Plan 2016-2020 focuses on green growth, sustainable consumption and production, conserving natural resources and strengthening resilience against climate change. ¹⁴ |
| Labour productivity |    | Malaysia needs 50% skilled labour but only has 28% skilled labour among 14.8 million workers in the country. ¹⁵ There are 634,136 SMEs as against 17,803 large firms, however SMEs' gross output value contribution was 29% compared to 72% by large firms. ¹⁶ | The Eleventh Malaysia Plan 2016-2020 sets a productivity growth target of 3.7% per year, well above the 2% average growth recorded from 2011 to 2015. ¹⁷ The Plan also has programmes to enhance SME productivity, ease the environment for business and strengthen human capital. ¹⁸ |
| Social security |   | Although the median age is 28.2, senior citizens aged 60 years and above make up 9% of the country's 30.95 million population, and that is expected to rise sharply over the next 14 years from 2017. ¹⁹ | In 2017, the government has allocated USD 97.5 million to senior citizens, including USD 69 monthly as living allowance and pocket money. In addition, 8 senior citizen activity centres are being established. ²⁰ |

Source: ILO, OECD, SDGIndex.org (2016), UNDP, UNEP, UNESCO, WHO, World Bank, wssinfo.org



THE SOCIAL INVESTMENT LANDSCAPE IN MALAYSIA

In Malaysia, most social enterprises (SEs) date back to just five years ago, representing a nascent movement.²¹ Most social entrepreneurs are corporate professionals below the age of 30. A 2015 estimate placed the number of registered Malaysian SEs at 100.²²

Charitable giving through religious funding forms the bulk of social investing in the country.²³ Recently, Malaysia began testing innovative approaches to combine Islamic finance with responsible investing and sustainable business, resulting in the formation of multiple social impact bonds (SIBs) and socially responsible investing (SRI) options.

13. United Nations Framework Convention on Climate Change (UNFCCC), 2015, Intended Nationally Determined Contribution of The Government of Malaysia
 14. Economic Planning Unit, 2016, Eleventh Malaysia Plan: Anchoring growth on people
 15. Anuar, A.R., W.N.J.W. Mansor and B. Haji Din, 2016, Skills Mismatch in Small-sized Enterprises in Malaysia
 16. Future Academy, 2016, Addressing Skills Gap in Small-sized Enterprises: Malaysian
 17. OECD, 2016, Economic Assessment of Malaysia
 18. Chinese Chambers, 2016, Eleventh Malaysia Plan: Anchoring Growth on People

19. Asian Correspondent, 2017, When old isn't gold: Unready Malaysia to struggle as population ages
 20. Prime Minister's Office Malaysia, 2017, Budget Speech
 21. Malaysian Global Innovation & Creativity Centre (MaGIC), 2015, Malaysian Social Enterprise Blueprint 2015-2018
 22. MaGIC, 2015, Social Enterprise 101
 23. Cogswell, E.A., 2002, Private Philanthropy in Multiethnic Malaysia

Legislative environment

Demand side

Similar to the majority of ASEAN member states, the government does not formally recognise SEs in Malaysia. Consequently, SEs may choose from a range of for-profit and non-profit structures:²⁴

| STRUCTURE | PURPOSE |
|--|---|
| FOR-PROFIT LEGAL STRUCTURES | |
| Sole proprietorship | Sole proprietorship is a business wholly owned by a single individual who is personally responsible for the company's liabilities. It is the simplest form of business organisation, with minimal legal requirements, governed by the Registration of Business Act 1956. |
| Partnership | Governed by the Partnership Act of 1961, partners are personally liable and responsible for the business's liabilities. Partnerships must register to be in compliance with the Registration of Business Act 1956. |
| Limited Liability Partnership (LLP) | LLPs combine the characteristics of a company and a partnership. As stipulated by the Limited Liability Partnership Act 2012, debts and obligations of the LLP will be borne by the assets of the LLP and not that of the partners'. |
| Private company limited by shares (Sdn Bhd) | Stipulated under the Companies Act 1965, a private limited company's shares are closed to public participation and it is a separate legal entity from its shareholders. Shareholders' liability is limited to the amount of capital held by the shareholders. |
| NON-PROFIT LEGAL STRUCTURES | |
| Company limited by guarantee (Bhd) | Governed by the Companies Act 1965, this is the most popular structure adopted by non-profit organisations (NPOs). A company limited by guarantee is formed on the principle of having the liability of its members limited by the Memorandum of Association of the organisation. |
| Society | A society is inclusive of any club, partnership, or association of seven or more people. Governed by the Societies Act 1966, societies are accountable to the Registrar of Societies. |
| Trust | Governed by Trustees (Incorporation) Act 1952, a trust is a legal arrangement where asset ownership is transferred from the settlor who sets up the trust to the trustee for the benefit of one or more beneficiaries. |
| Cooperative societies | A cooperative society is an organisation whose objective is to increase the economic significance of its members in accordance with cooperative principles. Cooperatives are governed by the Co-operative Societies Act 1993 and regulated by the Malaysia Co-operative Societies Commission. |

Supply side

Most foreign investors incorporate one or more companies in Malaysia through which all operations in Malaysia are carried out. Business organisation forms recognised by Malaysia include Company, Limited Liability Partnership, Sole Proprietorship, Joint Venture, and Branch of Foreign Company (Representative Office, Regional Office). Tax incentives are applicable to investors who establish tax resident companies wishing to engage in continuing operation in Malaysia to incorporate local subsidiaries.²⁵

The 'Angel Tax Incentive' approved by the government encourages more early stage investments by the private sector by giving back in the form of tax exemptions.²⁶

24. Registries of Society, <http://www.ros.gov.my/>

25. PwC, 2013, Doing business in Malaysia

26. MBAN, at <http://mban.com.my/angel-tax-incentive/>, accessed April 2017

DEMAND, SUPPLY AND SUPPORT ECOSYSTEM IN MALAYSIA

| | DEMAND | | | |
|--|--|--|--|---|
| | Charities/Non-profits | Social Enterprises | Businesses with Sustainability Focus | Businesses |
| SUPPLY | Foundation/ Trust/Family Office | Bill & Melinda Gates Foundation (Grant) | | |
| | | Ford Foundation (Grant, Equity) | | |
| | | Global Environment Facility (Grant) | | |
| | | Little Rain Children Trust (Grant) | | |
| | | MacArthur Foundation (Debt, Equity, Grant) | | |
| | | Nippon Foundation (Equity, Grant) | | |
| Corporate | Citi Foundation (Grant) | | | |
| | | Fossil Group (Grant) | | |
| | | Prudential (Grant) | | |
| Impact Fund | | | Abraaj Capital (Convertible Grant, Equity) | |
| | | Khazanah (Equity) | | |
| | | LeapFrog Investments (Debt, Equity) | | |
| | | Omidyar Network (Equity, Grant) | | |
| | | Quadria Capital (Equity) | | |
| Financial Institution | | Asian Development Bank (Grant, Debt) | | |
| | | Credit Suisse (Debt, Equity) | | |
| | | International Finance Corporation (Debt, Equity) | | |
| | | UBS AG (Debt, Equity) | | |
| Crowdfunding/ Fundraising Platform | | | Alix Global (Equity) | |
| | | | Ata Plus (Equity) | |
| | | | Crowdo (Equity) | |
| | | | Crowdonomic (Equity) | |
| | | | Eureeca (Equity) | |
| | | | Fundedbyme (Equity) | |
| | | Give2Asia (Grant) | | |
| | | | PitchIN (Equity) | |
| | | | Propeller Crowd+ (Equity) | |
| Support | Incubators, Accelerators & Capacity Builders | Networks & Platforms | Research & Knowledge | Legal & Implementation |
| | <ul style="list-style-type: none"> British Council East Asia and China Region Bursa Malaysia Malaysian Network Malaysian Global Innovation & Creativity Centre (MaGIC) myHarapan iCube Innovation Institute of Corporate Responsibility (ICR) Social Enterprise Alliance UnLtd Malaysia Youth Trust Foundation | <ul style="list-style-type: none"> ANDE Malaysia AVPN British Council East Asia and China Region Family Business Network Asia Global Social Entrepreneurship Network (GSEN) Malaysian Global Innovation & Creativity Centre (MaGIC) myHarapan Social Enterprise Alliance Women Organizing for Change in Agriculture & Natural Resources (WOCAN) | <ul style="list-style-type: none"> British Council East Asia and China Region Business for Social Responsibility (BSR) Lien Centre for Social Innovation Malaysian Global Innovation & Creativity Centre (MaGIC) Social Enterprise Alliance | <ul style="list-style-type: none"> Agensi Inovasi Malaysia |

KEY SOCIAL INVESTORS AND INVESTMENT TRENDS

Religious giving dominates the funding landscape

Malaysia is a Muslim-majority country, with 61.4% of its population being Muslims.²⁷ Islamic Law encourages citizens to contribute 2.5% of their annual incomes to charitable causes, typically during the Ramadan festival.²⁸ This institution of giving — zakat — is well established in Malaysia. Chinese and Indian minority communities also engage in charitable giving, often directed towards their own communities.²⁹

The zakat contribution to social spending has grown rapidly in Malaysia. In 2013, zakat represented over 20% of the government's social spending excluding health, contributing to 0.25% of the GDP.³⁰ Greater collaboration between state and federal zakat centres could further effective targeting of assistance to impoverished households.

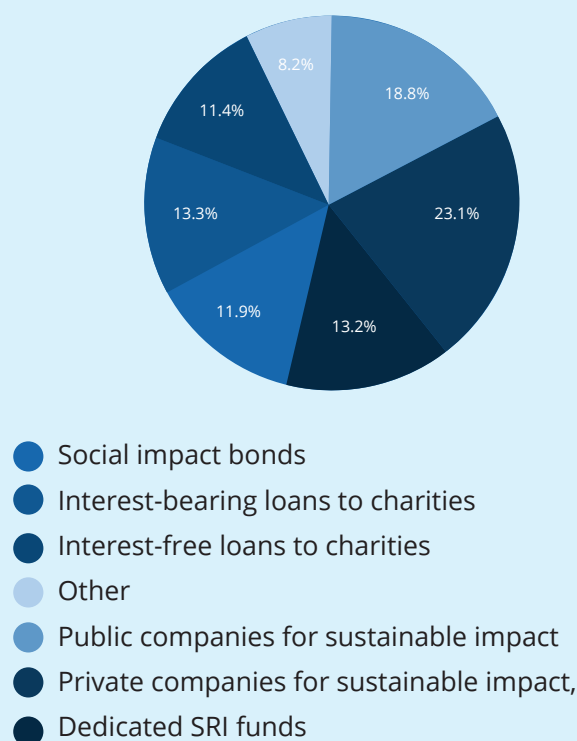
Collections from zakat go towards social protection such as income enhancement and employment obtainment for low-income households, and benefits for the unemployed, sick, disabled and elderly persons. Regarded as critical for inclusive growth, zakat serves as an income re-distribution mechanism.³¹

Malaysia's high net worth individuals (HNWIs) are the second largest social investors in Asia

Social investment comprises 43.6% of Malaysia's HNWI portfolio, the second largest impact investing share in Asia, just behind Indonesia.³² HNWIs in Malaysia invest heavily in education, followed by poverty alleviation. However, with the involvement of the younger generation, environmental causes are gaining importance.³³ Giving is largely carried out silently because of a personal and cultural disposition to maintain confidentiality, in addition to concerns about political and business implications related to disclosure of philanthropic activities.³⁴ However, in spite of this preference for anonymity, four Malaysians

were included in the 2016 Forbes Asian philanthropy list - Kuala Lumpur Kepong's Chairman Tan Sri Lee Oi Hian, Daybreak's Chairman Puan Sri Sandra Lee, Mah Sing Group's Managing Director Tan Sri Leong Hoy Kum, and Eu Yan Sang Malaysia's Chairman Datuk Anne Eu.³⁵ The causes they support are education, child welfare, food security, healthcare, and technology innovations for change.³⁶

HNWIs social impact investment distribution



Islamic finance connects strongly to SRI

Malaysia is the world's biggest Islamic bond market, accounting for about two thirds of all sukuk (Islamic bonds) issued. Malaysia had USD 161 billion of local currency sukuk outstanding at the end of 2014.³⁷ Given the global movement towards responsible investing and the coherence of values promoted by Islamic finance, there is a significant opportunity to create products through green bonds and similar products. The capital markets in Malaysia are keen on promoting the country as a favoured destination for responsible investing.

27. Pew Research Centre, 2011, The Future of the Global Muslim Population

28. Muslim Aid, 2017, Zakat

29. UBS-INSEAD, 2011, Family Philanthropy in Asia

30. Nixon, S., H. Asada and V. Koen, 2017, Fostering Inclusive Growth in Malaysia

31. Nadzri F.A.A., R.A. Rahman and N. Omar, 2012, Zakat and Poverty Alleviation: Roles of Zakat Institutions in Malaysia

32. Capgemini, 2016, Asia-Pacific Now Leads the World in High Net Worth Population and Wealth

33. UBS-INSEAD, 2014, UBS-INSEAD Study on Family Philanthropy in Asia

34. UBS-INSEAD, 2014, UBS-INSEAD Study on Family Philanthropy in Asia

35. Forbes, 2016, Asia's 2016 Heroes of Philanthropy

36. Forbes, 2016, Asia's 2016 Heroes Of Philanthropy

37. Reuters, 2015, Khazanah to launch Malaysia's first social impact bond

Recent responsible fund initiatives include:

- Bursa Malaysia (Malaysia Stock Exchange) launched the FTSE4Good Bursa Malaysia (F4GBM) index, one of Asia's first environmental, social, and governance (ESG) indices.³⁸



Sukuk Ihsan: An AAA-rated social impact bond based on Islamic finance

Launched in 2015, Sukuk Ihsan is Malaysia's first SIB based on Islamic finance, and the first AAA-rated globally. Projects deemed eligible for the SRI sukuk focus on environment friendly issues, such as the promotion of renewable energy or reduction of greenhouse gas emissions, or quality of life improvement for societal benefit. Educational projects fall under the community and economic development category.³⁹ Sukuk Ihsan is managed by Khazanah Nasional Berhad, the government of Malaysia's investment fund.⁴⁰

- The Malaysian ESG Opportunity Fund is an ESG equity growth fund using the FTSE4Good.⁴¹
- The Malaysian Green Technology Corporation has set up the Green Technology Financing Scheme to support low-carbon and green technology products.⁴²

Bursa Malaysia drives CSR

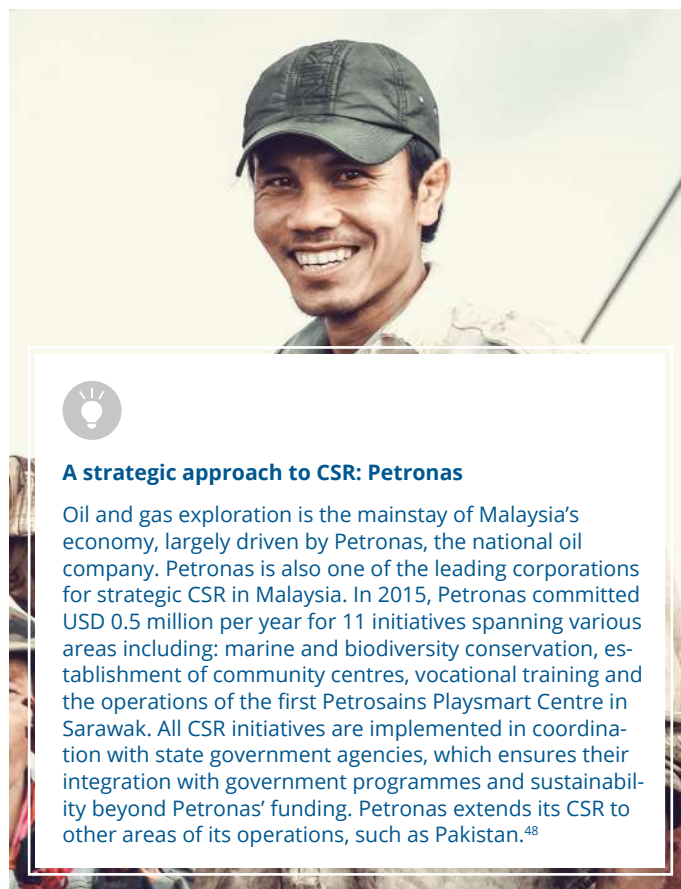
The government's Vision 2020 provides a new fillip to CSR in Malaysia.⁴³ Since Bursa Malaysia mandated sustainability reporting in 2006, the government has attempted to steer public, government-linked

and private companies towards the integration of environmental and community issues in business. Despite these attempts, CSR is still looked upon as philanthropy, with the potential to evolve, according to multiple reports.⁴⁴ Multinational corporations (MNCs) lead in establishing advanced social investing practices, including adopting venture philanthropy approaches and supporting SEs.⁴⁵

In 2015, Bursa Malaysia, signed the Sustainable Stock Exchanges' voluntary commitment to promote sustainability reporting.⁴⁶ Malaysia is among the top 5 ranking countries for corporate responsibility reporting – more than 90% of corporations reported on their responsibility progress in 2015.⁴⁷

Emerging impact investing and crowdfunding markets in Malaysia

In 2015, the Securities Commission Malaysia approved 6 equity crowdfunding (ECF) operators, namely Alix Global, Ata Plus, Crowdonomic, Eureeca, PitchIN and Propellar Crowd+, providing an alternative financing



A strategic approach to CSR: Petronas

Oil and gas exploration is the mainstay of Malaysia's economy, largely driven by Petronas, the national oil company. Petronas is also one of the leading corporations for strategic CSR in Malaysia. In 2015, Petronas committed USD 0.5 million per year for 11 initiatives spanning various areas including: marine and biodiversity conservation, establishment of community centres, vocational training and the operations of the first Petrosains Playsmart Centre in Sarawak. All CSR initiatives are implemented in coordination with state government agencies, which ensures their integration with government programmes and sustainability beyond Petronas' funding. Petronas extends its CSR to other areas of its operations, such as Pakistan.⁴⁸

38. The Borneo Post, 2015, Investing for a better future

39. Reuters, 2015, Khazanah to launch Malaysia's first social impact bond

40. Khazanah, 2015, Khazanah to Issue First Ringgit-Denominated Sustainable and Responsible Investment Sukuk

41. The Borneo Post, 2015, Investing for a better future

42. Green Technology Financing Scheme, GTFSS Guideline

43. UNICEF, 2012, Corporate Social Responsibility Policies in Malaysia

44. Lien Centre for Social Innovation, 2013, Contextualising CSR in Asia: Corporate Social Responsibility in Asian economies

45. Interview with MyHarappan on 31 March 2017

46. The Star, 2015, Bursa Malaysia commits to Sustainable Stock Exchanges initiative

47. KPMG, 2015, Currents of Change: The KPMG Survey of Corporate Responsibility Reporting

48. The Borneo Post, 2015, Petronas to implement 11 new CSR initiatives in Sarawak

Recent investments in Malaysia (2015-2016)

| Social enterprise | Investor | Sector | Instrument | Amount | Details of work |
|--|---|------------------|------------|-------------------|---|
| Jirnexu | Digital Media Partners (DMP), Gobi Partners and OSK Ventures International Berhad (OSKVI) | Financial access | Equity | USD 4.5 million | Jirnexu is a credit service provider to Banks and technology companies in Malaysia. |
| SWM Environment Holdings Sdn Bhd (SWMEH) | Employees Provident Fund (EPF), Taliworks Corporation Bhd | Waste management | Equity | USD 60.43 million | SWM Environment Holdings Sdn Bhd is an integrated solid waste management and public cleansing service provider. |
| Kumpulan ACTS Bhd | United States Department of State | Health | Grant | USD 374,090 | Kumpulan ACTS Bhd provides shelter and healthcare for Burmese Refugees in Klang Valley, Malaysia. |

Source: dealstreetasia.com, Foundation Center

mechanism for SMEs and social entrepreneurs. Malaysia is the first country in Asia Pacific to regulate ECF.⁴⁹ With the young demographic and significant mobile penetration, crowdfunding holds potential for future development in Malaysia. Omidyar Network and Leapfrog Investments are among the most notable international impact investors active in Malaysia.

Government agencies as leaders in ecosystem building

To fuel the growth of Malaysia's nascent startup and social entrepreneurship ecosystem, the Malaysian Global Innovation & Creativity Centre (MaGIC) was established in 2014 with three aims - building a critical mass of successful SEs, creating an enabling ecosystem for social and public-private partnerships, and activating systemic changes for regulatory, tax, and administrative frameworks.⁵⁰ MaGIC runs a slew of initiatives to support SEs: a corporate fellowship that brings in experts for SE capacity building, hands-on training and boot camps, a co-working space, an accelerator programme, and seed funding. It also engages other government agencies, local venture

capitalists and corporations for impact investments into their SEs.⁵¹ It is currently working on a certification for SEs and on a social procurement programme, which aims at incentivising SEs in public sector procurement.⁵²

As part of its effort to stimulate social innovation, in March 2017 the Malaysian government launched the MYR3 million (USD 690,000) Social Outcome Fund managed by the Agensi Inovasi Malaysia (AIM).⁵³ The pay-for-success vehicle is designed to 'crowd in' funding from foundations, social investors and corporates into high-potential SEs and other social purpose organisations (SPOs) to implement positive social change. Social investments made are entitled to a reimbursement from the Fund if they result in 1.5 times or more of cost savings for similar government interventions.⁵⁴ To facilitate this, AIM has developed the Social Progress Assessment (SPA) framework detailing the activity chains and associated costs of social service delivery conducted by the government.⁵⁵

49. Dealstreetasia.com, 2015, Malaysia's Securities Commission allows 6 players to launch equity crowdfunding services

50. MaGIC, <http://mymagic.my/en/about/mandate/>

51. MaGIC, 2015, MaGIC SE in talks with agencies, VCs & corporations for impact investments

52. Ace, T., 2017, Building the Social Economy in Asia: The Role of Government

53. New Straits Times, 2017, Govt launches Social Outcome Fund for marginalised communities

54. Razak, E., 2016 AIM proposes Social Outcome Fund for SPOs to achieve higher impact

55. AIM, 2017, Social Progress Assessment - Innovating Malaysia's Social Sector

Malaysia's social economy is in early stages of growth, nurtured by the government and enablers

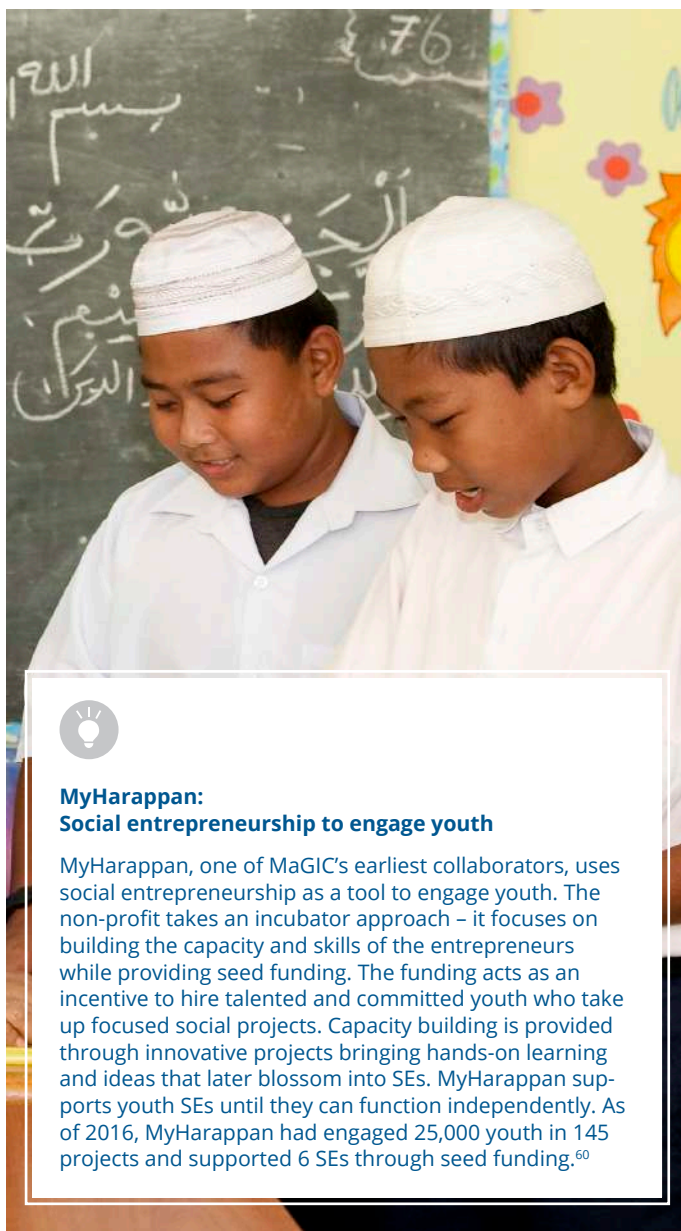
| CATEGORY | FACTOR | RATING | DESCRIPTION |
|------------------|---|--------|--|
| SPOs | Legislative environment | | SEs can adopt both for-profit and non-profit structures, which are well-defined in the Malaysian laws. |
| | Government support | | The government develops the SE sector primarily through MaGIC and AIM, offering significant support through the Social Outcome Fund, incubation, seed funding, access to networks and mentorship. Application for government grants, however, is a time-consuming process. ⁵⁶ |
| | SEs across sectors | | SEs are presently active in community development, with some organisations emerging in education, youth engagement, environment, and sustainable lifestyle. |
| | Presence, size, and maturity of SEs | | There were about 100 SEs as of 2015. ⁵⁷ SEs are a nascent phenomenon, with a growing presence spurred by youth and business professionals passionate to make a difference. |
| Investors | Philanthropic contributions | | Local foundations and HNWI are actively engaged in philanthropy through zakat. MNCs lead in adopting venture philanthropy approaches and supporting SEs. |
| | Presence of social investors | | There are two impact investors in Malaysia: Omidyar Network and Leapfrog Investments. The majority of the current funding for SEs however is through donations, government grants, or CSR initiatives. ⁵⁸ |
| | Corporate sector | | CSR is led by MNCs and large corporations such as Petronas. Bursa Malaysia has been a major driver of corporate sustainability. |
| Enablers | Incubators, accelerators, and capacity-builders | | The presence of enablers is expanding. Incubators and accelerators: Myharappan, iCUBE, MaGIC, Cradle Fund Bhd Capacity builders: MaGIC, MyHarappan, British Council, Social Enterprise Alliance, Cradle Fund Bhd |
| | Networks and platforms | | MaGIC, MyHarappan, British Council, Social Enterprise Alliance and AVPN are some of the most notable ecosystem builders. CSR platforms such as the Institute of Corporate Responsibility (ICR) and Bursa Malaysia are bringing organisations together around CSR. |
| | Knowledge and research | | AIM and MaGIC have published a few publications on the Malaysian social economy. |
| | Partnerships | | Examples of partnerships include MaGIC and AIM with social investors, Petronas and state government agencies and the Malaysia Collective Impact Initiative (MCII). |
| | Impact measurement | | AIM has developed the Social Impact Measurement Tool as a uniform method for the private sector and SPOs to outline, measure, track and report the impact of their initiatives. ⁵⁹ |



Partnership Opportunity

⁵⁶ Interview with MyHarappan on 30 March 2017
⁵⁷ MaGIC, 2015, Social Enterprise 101

⁵⁸ MaGIC, 2015, Social Enterprise 101
⁵⁹ AIM, 2017, Social Progress Assessment – Innovating Malaysia's Social Sector



MyHarappan: Social entrepreneurship to engage youth

MyHarappan, one of MaGIC's earliest collaborators, uses social entrepreneurship as a tool to engage youth. The non-profit takes an incubator approach – it focuses on building the capacity and skills of the entrepreneurs while providing seed funding. The funding acts as an incentive to hire talented and committed youth who take up focused social projects. Capacity building is provided through innovative projects bringing hands-on learning and ideas that later blossom into SEs. MyHarappan supports youth SEs until they can function independently. As of 2016, MyHarappan had engaged 25,000 youth in 145 projects and supported 6 SEs through seed funding.⁶⁰

- Religious funding through zakat contribution represented a significant 0.25% of GDP in 2013. Zakat offers potential to establish venture philanthropy approaches.
- The median age of 28.2 provides a significant opportunity to tap the passion and commitment of educated and talented youngsters to contribute to inclusive development. The majority of current Malaysian social entrepreneurs are below the age of 30, which is further proof that youngsters are interested in nation-building.
- Malaysia is the largest Islamic finance market in the world. The early evidence of Islamic finance connecting with SRI, SIBs and green bonds opens up exciting possibilities to infuse mainstream capital towards social innovation.
- Impact investing and crowdfunding are emerging with potential for development in the future.
- Malaysian non-profits that address community challenges are looking to become sustainable through revenue generation in the wake of international donor cuts. These SPOs provide a potential pipeline of organisations that can be supported to become strong SEs.
- The Social Outcome Fund and the SPA are poised to unleash social innovation through 'crowding in' social investment and spurring the development of high-potential local SEs – a whole-society approach to addressing Malaysia's most pressing societal challenges.

OPPORTUNITIES

- Superior quality of infrastructure, high digital access (144 mobile subscriptions per 100 people and 71% internet penetration) and financial access (71% of the population) provide a favourable environment for social entrepreneurs to develop solutions for social and environmental challenges.
- The establishment of MaGIC and AIM is evidence of significant government interest and support for the social economy which offers scope for future collaborations between government, the social investment community and corporates.

CHALLENGES

- The lack of human capital remains a significant hurdle for SEs as the majority find it difficult to attract and retain high quality talent.
- While SEs are a growing movement in Malaysia, it will take initial successes, testing and support to ensure that the sector is built on strong foundations for longevity and impact.
- Many SEs remain heavily reliant on government grants while unrealistic valuations are posing challenges to some in securing funding.

60. Interview with MyHarappan on 31 March 2017

RECOMMENDATIONS

The following recommendations emerge from interviews and landscape analysis:

- **Development issues:**
 - Women's integration in the workforce, skill training, and social protection are high-gap areas that would benefit from private investment.
- **Social Investment:**
 - Partnerships between zakat collectors and enablers can enhance the effectiveness of fund disbursement as well as provide early contributions towards SEs as in the case of Indonesia.
 - There is a sizeable funding gap for SEs in Malaysia. Most of them are either funded through informal grants or their own personal finance. Foundations, corporates and other social investors could partner with incubators to provide seed funding.
 - Social investors should provide larger funding and hands-on support to incubators and capacity builders such as MyHarappan who can develop an investable pipeline of SEs.
- **Enablers:**
 - Given the nascency of the social economy and potential for growth, there is significant opportunities across areas - incubation and acceleration, early-stage funding, mentoring and support - for different players across Asia.
 - Improving incubation capacity by bringing in professional expertise and mentorship for SEs will help translate the current high interest among youth into high-growth potential SEs. Depending on the background of the social entrepreneurs, substantial efforts might be required to build up their financial acumen and execution capability. A hands-on mentoring culture among social investors, whereby investors play the role of team members, would contribute towards this.
 - SEs need partnerships and expertise to build strong last-mile distribution channels for their products and solutions. The corporate sector can provide both the know-how and financial resources to help social entrepreneurs build hard and soft infrastructure.
- Creating greater awareness among family businesses to convert a part of their existing philanthropic portfolios into social investment would increase the financial resources available to SEs. Networks and platforms can play a lead role in forging partnerships and facilitating co-investments among family businesses, corporates and other social investors.
- Social investors and SPOs across Asia could leverage on the Social Outcome Fund and the SPA to co-invest and foster strategic partnerships with local actors.

"Being a social entrepreneur is an "in" thing today in Malaysia. The social economy is nascent and intermediaries are just developing. There is work to be done in building competencies of incubators and supporters itself, before they can work with entrepreneurs. We are excited about the potential of youth to take ideas with potential and develop them into sustainable enterprises."

Nini, MyHarappan

RECOMMENDED READING

- AIM, 2017, Social Progress Assessment – Innovating Malaysia's Social Sector
- MaGIC, 2015, Malaysian Social Enterprise Blueprint 2015-2018

MYANMAR

As the last remaining frontier market in Asia (except North Korea) to open up and connect to the global economy, Myanmar is perceived as a significant economic opportunity for countries across the world, yet regarded as also having one of the most unstable environments.¹ The country's landscape is changing quickly in response to the political, social and economic reforms that began in 2011. In 2016, Myanmar was recorded as the fastest-growing economy in Asia with 8.6% GDP growth.²

With a fast-growing consumer market and underdeveloped industry sectors, Myanmar is attracting large international companies in an array of sectors including oil and gas, financial services, telecommunications, hospitality and infrastructure. Foreign direct investment (FDI) inflows significantly increased to USD 9.48 billion in 2016 from USD 1.4 billion in 2013.³ The country's natural and freshwater resources are strengths that can deliver rich economic and social value to its citizens. Myanmar has a young population with a median age of 30.1. The demographic profile is a strong enabler for economic expansion.⁴

If Myanmar maintains its high rate of labour productivity growth, exhibits improvements in the use of capital, sustains innovation and gains in operational efficiency, its economy is projected to quadruple in size by 2030.⁵

1. PricewaterhouseCoopers, 2016, Myanmar, the awakening tiger
2. World Economic Forum, 2016, Which are the world's fastest growing economies?
3. PricewaterhouseCoopers, 2016, Doing business in Myanmar
4. CIA, 2016, Median Age
5. PricewaterhouseCoopers, 2016, Myanmar, the awakening tiger

FACT FILE

Population
2016

56.9 million

GDP (PPP)
2016

USD 304.7 billion
World Rank 53

World Giving Index Rank
2016

1

(1 in 2015)

- % giving money - 91
- % volunteering time - 55
- % helping a stranger - 63

Poverty
2010

25%

Per capita GDP (PPP)
2016

USD 5,832
World Rank 127

COUNTRY CONTEXT FOR INVESTORS

| FACTORS | INDEX SCORE /RANK | DESCRIPTION |
|--------------------------------------|-----------------------|---|
| GDP Growth (2016) | 8.1% | The economy advanced 8.1% in 2016, higher than 7% growth in 2015. In 2017, forecast of GDP growth is between 7.5 to 8%. |
| Governance (2015) | -1.2 | Myanmar ranked above 9% of all the countries in the World Bank's Governance Indicators. |
| Consumer Market (2015) | USD 33 billion | Consumer spending decreased by 6% from 2014 to 2015. Political and economic struggles have affected living standards. In the last few years, however, the retail sector has grown by 15%, backed by rising disposable incomes. ⁶ |
| Labour Force (2016) | 31 million | The national workforce increased by 1.4% from 2015 to 2016. |
| Infrastructure (2015) | 2.1 | The country ranked 134 of 138 countries in terms of infrastructure in the 2015 WEF's Global Competitiveness Ranking. Citizens do not have adequate access to basic infrastructure and services including electricity, transportation, and communication. ⁷ |
| Financial Access (2014) | 23% of the population | Myanmar has the most underdeveloped banking sector in Southeast Asia. ⁸ Myanmar's banking assets-to-GDP ratio was 49%, the lowest in ASEAN in 2016. However, asset growth of 18% over the next 3 years marks future growth prospects. ⁹ |
| Digital Access (2015) | 22% of the population | Mobile phone adoption has also increased significantly to 76 mobile-cellular subscriptions per 100 inhabitants. ¹⁰ |
| Ease of Doing Business (2016) | 170/190 | Myanmar's Ease of Doing Business rank slightly improved from 171 in 2015 to 170 in 2016. Key constraints include the regulatory environment, weak infrastructure, and an underdeveloped financial sector. ¹¹ |

Source: CIA, International Telecommunication Union (2015), OECD (2017), WEF (2016), World Bank (2016)

Note: Computation in this section is described in the Methodology.

Favourable Moderately favourable Unfavourable

6. Nielsen Insights, 2015, Winning in Myanmar

7. International Trade Centre, <http://www.intracen.org>, accessed on April 2017

8. GIZ, 2016, Myanmar's Financial Sector

9. Roland Berger, 2016, Myanmar Banking Sector 2025: The Way Forward

10. International Telecommunication Union, 2015, Percentage of Individuals using the Internet

11. GIZ, 2016, Myanmar's Financial Sector

Global Competitiveness Index Rank

2015

131

Source: Charities Aid Foundation (CAF, 2016), Credit Suisse (2016), IMF (2016), OECD (2016), World Bank (2017), UNDP (2010), World Economic Forum (WEF, 2016)

DEVELOPMENT GAPS IN MYANMAR

After two years of strong economic growth and macroeconomic stability, Myanmar faced a more difficult economic environment in 2015–16. In response, in 2016 the government of Myanmar announced an inclusive economic development policy, which focuses on: (i) national reconciliation,

(ii) a competitive private sector, (iii) strengthening financial management and macroeconomic stability, (iv) infrastructure development, (v) agriculture and livestock, (vi) reducing domestic inequality and job creation, (vii) attracting FDI, (viii) developing human capital and skill, (ix) reform of state-owned enterprises, (x) economic liberalisation, and (xi) developing small and medium-sized enterprises (SMEs).

SDG DASHBOARD FOR MYANMAR











Source: sdgindex.org (2016)



Source: sdgindex.org (2016)

Note: Grey boxes denote insufficient data. Goal 1: Myanmar's 26% poverty rate as of 2014 as recorded by UNDP indicates that Goal 1 is a red area; Goal 10: GINI coefficient unavailable.

GOVERNMENT FOCUS ON DEVELOPMENT GAPS

| FOCUS AREA | SDG GOALS | GAP | GOVERNMENT FOCUS |
|--|---|--|--|
| Agriculture |    | <p>In 2015, 49.3% of Myanmar's rural population derived their income from agriculture, making it an important focus for rural poverty alleviation.¹²</p> <p>The average annual income per farmer was USD 194 in 2012, lower than those of Thailand (USD 706), Indonesia (USD 730), and Bangladesh (USD 507).¹³</p> | Agriculture is a key focus in Myanmar's 12-step development agenda enacted in 2015. The policy centres upon technical training, use of high-yield variety seeds, sustainable practices, and fair prices. |
| Education |  | <p>In 2014, Myanmar's primary school enrolment was 86.4%, lower than the South Asian average of 89%.</p> | The Education Development Plan 2001–2030 aims to improve delivery of instruction, vocational training and teacher training as well as promote technology in education to ensure universalisation of primary and secondary education. ¹⁴ |
| Energy access |  | <p>50.2% of the population has access to electricity, and only 8.3% has access to non-solid fuels.</p> | The Energy Master Plan (EMP) covers renewable energy options for solar, hydro, wind, and biomass electricity, and generation for grid connection and off-grid applications. Myanmar is looking to increase public grid connection ratio to 45% by 2020, and reducing use of firewood to 20% by 2030. |
| Health and sanitation |    | <p>Myanmar registered high neonatal and maternal mortality rates at 26.4 per 1,000 live births and 178 per 100,000 live births, respectively in 2014.</p> | To achieve universal healthcare by 2020, the government is looking into increasing tax-based financing, insurance cover, maternal and child health voucher schemes and township-based health protection schemes. |
| Small and medium-sized enterprise (SME) growth |   | <p>SMEs accounted for more than 90% of all enterprises in Myanmar in 2015. Only 20% of all SMEs have formal outstanding loans, indicating that they largely rely on informal lenders.</p> | Myanmar established the SME Development Centre under the Ministry of Industry in 2013 with the aim to increase SMEs' share in GDP to 36% within 3 years. The Small and Medium Industrial Development Bank (SMIDB) offers low interest loans to SMEs. ¹⁵ |

Source: ILO, OECD, SDGIndex.org (2016), UNDP, UNEP, UNESCO, WHO, World Bank, wssinfo.org

12. ILO, 2015, Myanmar labour force, child labour and transition survey
 13. Oxford Business Group, 2016, Opening Myanmar's agriculture and forestry sector

14. Ministry of Education, 2012, Education for All
 15. UNESCAP, 2014, A new policy framework for Myanmar's SMEs

THE SOCIAL INVESTMENT LANDSCAPE IN MYANMAR

Despite restrictions on investor entry, Myanmar's recent move to open up its economy coupled with promising GDP growth has brought the country to the attention of investors across the spectrum.

There are about 645 listed social purpose organisations (SPOs) in Myanmar. Nonetheless, the term "social enterprise" (SE) is recent, and a consistent definition is yet to be formulated.¹⁶ SEs today have emerged from three areas:¹⁷

- NGOs and associations that have explored revenue models to complement donor funding and could potentially become financially sustainable such as Max Myanmar and Tun Foundation Bank, which provide basic services to the bottom of the pyramid (BoP).
- Cooperatives and microfinance institutions (MFIs) that have strong presence in the community and are inclined towards social impact such as PACT and Proximity, both of which are livelihoods-focused MFIs.
- SMEs that emphasise social purpose as a core part of their businesses such as Pomelo, Yangon Bakehouse and Opportunities NOW.

Legislative environment

Supply side

- The complexity of Myanmar's regulatory framework is cited as one of the pressing challenges for foreign investors. There are multiple rules governing investor entry depending on the sector and location of the investment. Foreign investment is prohibited or restricted in an extensive list of sectors. Banking, fisheries, retail, and food are among the most restricted sectors.¹⁸
- In 2015, Myanmar lifted the ban on foreign banks operating in the country. The Bank of Tokyo Mitsubishi UFJ Ltd, Sumitomo Mitsui Banking Corporation, and Oversea-Chinese Banking Corporation Ltd became the first foreign banks to operate in Myanmar.¹⁹

Demand side

There is no dedicated legal structure for SEs. SEs may therefore take the form of partnerships, private limited liability companies, cooperative societies or associations.

| STRUCTURE | PURPOSE |
|-----------------------------------|--|
| FOR-PROFIT LEGAL STRUCTURES | |
| Partnership | Governed by the Partnership Act of 1932, a partnership consists of not more than 20 partners and is of unlimited type. Registration is not compulsory. ²⁰ |
| Private limited liability company | As stipulated in the Myanmar Companies Act 1914, ²¹ a private limited liability company is required to have at least two but no more than 50 shareholders. |
| Cooperative society | Governed by Law No.9/92, ²² a cooperative society may carry out economic and social activities. Net profits accrued from the business of the cooperative are to be apportioned according to the decision of members. A minimum of five members is required for the registration of primary cooperative societies. |
| Association | A domestic non-profit association may be formed by five or more persons and registered at any level of the registration system under the Ministry of Home Affairs, based on the intended geographical focus. |

16. Myanmar Information Management Unit, 2017, <http://www.themimu.info/contacts>

17. British Council, 2013, Social enterprise landscape in Myanmar

18. OECD, 2016, OECD FDI Regulatory Restrictiveness index

19. LawPlus Myanmar Ltd., 2015, Foreign Banks Allowed to Operate in Myanmar

20. ASEAN-China Centre, Myanmar Investment Guide: Doing Business in Myanmar

21. Dica, The Burma Companies Act

22. ILO, 1992, The Co-operative Society Law

DEMAND, SUPPLY AND SUPPORT ECOSYSTEM IN MYANMAR

| | DEMAND | | | |
|--|--|--|--|--|
| | Charities/Non-profits | Social Enterprises | Businesses with Sustainability Focus | Businesses |
| SUPPLY | Foundation/ Trust/Family Office | The Bill & Melinda Gates Foundation (Grant) | | |
| | | CARE International (Grant) | | |
| | | Daw Khin Kyi Foundation (Grant) | | |
| | | Rockefeller Foundation (Grant) | | |
| | Corporate | AirAsia Foundation (Grant) | | |
| | | City Mart (Grant) | | |
| | | Coca-Cola (Grant) | | |
| | | Daiwa Group (Grant) | | |
| | | FHI 360 (Grant, Debt) | | |
| | | Htoo Foundation (Grant) | | |
| | | Myanma Oil and Gas Enterprise (Grant) | | |
| IMPACT FUND | | Accion International (Equity) | | |
| | | Andaman Capital Partners (Equity) | | |
| | | Anthem Asia (Convertible Debt, Equity) | | |
| | | DFID Impact Fund (Equity, Debt) | | |
| | | Golden Rock Capital (Equity) | | |
| | | Insitor Fund SCA (Equity) | | |
| | | Insitor Impact Asia Fund (Equity) | | |
| | | LGT Impact Ventures (Grant, Equity) | | |
| | | Omidyar Network (Grant, Equity) | | |
| | | Partnership for Change (Convertible Debt, Debt, Equity, Grant) | | |
| | | PhiTrust Asia (Convertible Debt, Equity, Debt) | | |
| | | Prudential Financial (Equity) | | |
| | | Uberis Capital (Equity) | | |
| Financial Institution | | Asian Development Bank (Grant, Debt) | | |
| | | Myanmar Agricultural Development Bank (Debt) | | |
| | | Standard Chartered Bank Myanmar (Debt) | | |
| | | Yoma Strategic Holdings Ltd. (Debt) | | |
| Crowdfunding/ Fundraising Platform | Give2Asia (Grant) | | | |
| Support | Incubators, Accelerators & Capacity Builders | | Networks & Platforms | Research & Knowledge |
| | <ul style="list-style-type: none"> • Anthem Asia • British Council East Asia and China Region • Building Markets • Business Innovation Facility • GIZ • Impact Hub Yangon • Insitor • LithuanTechUP • Opportunities NOW • Partnership for Change • Phandeeyar • United States Agency for International Development (USAID) | | <ul style="list-style-type: none"> • AVPN • British Council East Asia and China Region • Impact Hub Yangon • Impact Investment Exchange (IIX) • Insitor • Toniic | <ul style="list-style-type: none"> • British Council East Asia and China Region • Dalberg • Global Impact Investing Network (GIIN) • National Geographic Society • Partnership for Change • Porticus Asia Ltd. • Singapore International Foundation |
| | | | | Legal & Implementation |
| | | | | <ul style="list-style-type: none"> • Myanmar Centre for Responsible Business |

Key actors in the social economy in Myanmar with a few examples of investing across entities. Source: AVPN-Sattva analysis, British Council (2013), GIIN-Dalberg (2015), interviews, press articles

KEY SOCIAL INVESTORS AND INVESTMENT TRENDS

Myanmar is the 'most generous nation in the world'

Despite a poverty rate of 25.6%, Myanmar has consistently topped the CAF World Giving rankings over the last 3 years. Generosity is attributed to the population's cultural and religious beliefs. The majority of Myanmar citizens practise the Theravada form of Buddhism, in which charitable giving is the norm.²³ Research also links the strong culture of giving to the resilience and habit of 'self-help' developed under the military rule when the government did not provide adequate services to the population.²⁴

Multinational corporations are prominent grant-makers

The enactment of the Foreign Investment Law in November 2012 has improved the conditions for foreign entities to resume their operations in Myanmar. Since 2012 there has been a significant inflow of foreign investment from China, Japan, Thailand, Vietnam, the US, and the UK in the manufacturing, construction, transport, tourism, mining and real estate sectors.²⁵ The government has also embraced international standards and initiatives such as the UN Global Compact and the Extractive Industries Transparency Initiative (EITI), creating a more conducive environment for companies to start responsible initiatives in the community.²⁶

Corporate social responsibility (CSR) is largely understood as a philanthropic concept, rooted in the country's rich tradition of giving.²⁷ The strategic alignment of CSR to the core business remains obscure. Private sector initiatives including the Myanmar Business Coalition on Aid (MBCA), a network of 300 corporate members engaged in various impact projects, and the Myanmar Centre for Responsible Business (MCRB),²⁸ a joint initiative by the Institute for Human Rights and Business and the Danish Institute of Human Rights, are striving to increase awareness of CSR as a strategic activity.²⁹

There is evidence of strategic approaches to CSR among multinational corporations (MNCs) that have

re-established their operations in Myanmar. The following are some examples:

- Daiwa Securities has established a foundation to support capacity building for the development of the capital markets in Myanmar through scholarships and training.³⁰
- Coca-Cola has awarded PACT, a local non-profit, with a grant of USD 3 million in 2015 to support the formation of women groups and village-level banks. By funding entrepreneurship, this programme aims to increase the incomes of under-privileged women and their families. The programme is also training more than 37,000 women across the country in community-level financial management, business management, advocacy and literacy.³¹



AirAsia Foundation supports SE

Hla Day Myanmar is an SE that helps independent local artisans to establish profitable crafts-based businesses. Through a grant of USD 23,550 given by AirAsia Foundation, Hla Day has trained 400 artisans in Yangon and rural Myanmar in 2016 and 2017. Through formalised training, these artisans hone their craftsmanship and entrepreneurial skills, which enable them to set up and manage their own crafts-based businesses.³²

23. CNN, 2016, Myanmar again named most generous country in the world

24. NPR, 2016, You'll never guess the most charitable country in the world

25. PricewaterhouseCoopers, 2016, Myanmar: Asia's next rising star

26. Myanmar Centre for Responsible Business, 2014, Myanmar and CSR: Creating and Implementing Successful Strategy

27. CSR Asia, 2013, Responsible and Inclusive Business in Myanmar

28. Myanmar Business Coalition on Aid, About Us

29. Myanmar Centre for Responsible Business, About MCRB

30. Daiwa Securities Group, 2014, CSR Initiatives

31. Myanmar Times, 2016, Coca-cola backs women's training

32. AirAsia Foundation, 2016, Hla Day Myanmar Artisans Programme

MFIs and SMEs as investable SEs

Leading investable SEs in Myanmar are largely MFIs and SMEs that target the bottom of pyramid (BoP) population with strong revenue models. The estimated demand for micro-credit in Myanmar is about USD 1 billion, of which only 10% is being served at present.³³ Responsible investors such as Anthem Asia, Andaman Capital and Golden Rock Capital provide SMEs and MFIs with debt and equity financing as well as management support to strengthen their operations.³⁴

Prominent impact investors in Myanmar include Emerging Markets Investment Advisers, the United Nations Capital Development Fund, Insitor, Omidyar and Accion International. Emerging Markets Investment Advisers manages the Cambodia–Laos–

Myanmar Development Fund that focuses on SMEs serving the BoP population. Insitor, Omidyar and Accion invest in social entrepreneurs in an array of sectors including energy, housing, health care, education, and financial inclusion.

While the impact capital that is currently deployed is primarily invested in the financial services sector, the majority of future committed capital is being directed towards the tourism sector. Mekong Innovative Startup Tourism (MIST), a project by the Asian Development Bank (ADB), aims to support new travel and tourism-related ventures in Myanmar, Cambodia, Laos, and Vietnam. MIST provides mentorship to new ventures and matches them with suitable investors.³⁵



Micro-loans for SEs

International microfinance provider Kiva and UK-based impact fund Uberis Capital teamed up to offer micro loans as a financing option for SEs in the USD 20,000–200,000 range. Uberis calls this “transition capital.” Funding is provided alongside financing and advisory services to early-stage SEs. Since legal provisions in Myanmar do not permit such activities, the fund operates out of Singapore.³⁶

33. IFC, 2013, Microfinance in Myanmar sector assessment

34. Interviews with Anthem Asia on 7 April 2017, DAWN Myanmar on 27 April 2017, Synergy Labs on 25 April 2017.

35. Mekong Innovative Startup Tourism (MIST)

36. USAID, 2015, Yangon Emerging SE ecosystem

Incubators are critical ecosystem builders

Myanmar is a case of abundant impact investment capital and weak pipeline as there are only a handful of SEs in the post-revenue phase.³⁷ Incubators such as Opportunities NOW, Phandeeyar and Insitor are playing the leading role in this frontier market. They provide a launch pad for early-stage startups to go from idea to business set-up with seed capital, hands-on mentoring support and access to networks and co-working spaces. Cognizant of the key role played by incubators, international agencies such as USAID and ADB and investors such as Omidyar are actively providing grant capital to incubators and accelerators.³⁸

"If we see 10 social enterprises that meet our impact criteria, only 1-3 businesses will be able to take on our minimum investment. Most of these businesses are too small, so I think there needs to be a medium between the social entrepreneur and the investment-ready stage."

Bradley Kopsick, Insitor, Myanmar



Recent investments in Myanmar (2015-2016)

| Social enterprise | Investor | Sector | Instrument | Amount | Details of work |
|-----------------------|----------|--------------|------------|-----------------|---|
| Phandeeyar | Omidyar | Incubation | Equity | USD 2 million | The investment will be used to strengthen the ICT hub designed to support social innovation. |
| Hayman Capital Co Ltd | Maybank | Microfinance | Equity | USD 1 million | Hayman Capital Co Ltd aims at expanding the microfinance business in Myanmar. |
| Global Witness | Omidyar | Governance | Equity | USD 5.5 million | Global Witness conducts in-depth research to combat corruption, violence, and conflict surrounding land rights. |

Source: dealstreetasia.com, Omidyar Network

37. British Council, 2013, Social enterprise landscape in Myanmar and USAID, 2015, Mapping Yangon's Emerging Start-up Ecosystem

38. Interviews with DAWN Myanmar on 25 April 2017 and Anthem Asia on 7 April 2017

Myanmar has an underdeveloped social economy with significant growth potential given investor interest and emergence of enablers

| CATEGORY | FACTOR | RATING | DESCRIPTION |
|------------------|---|--------|--|
| SPOs | Legislative environment | | Cooperatives, private enterprises and associations are typically preferred over NGO as legal structures for SPOs. ³⁹ |
| | Government support for SEs | | Government support is completely lacking for SEs. ⁴⁰ |
| | SEs across sectors | | SEs in Myanmar are most active in livelihood enhancement, vocational training, and microfinance, ⁴¹ with some targeting the BoP population. |
| | Presence, size, and maturity of SEs | | There are about 645 SPOs in Myanmar, ⁴² the majority of which are in the early stages. Few SEs such as Pomelo and Good Sleep are operationally profitable. ⁴³ |
| Investors | Philanthropic contributions | | Myanmar has consistently scored high in individual giving. A significant share of the population donated money (91%) and volunteered (55%) in 2016. ⁴⁴ |
| | Presence of social investors | | Despite restrictions, development finance institutions (DFIs), international agencies and impact funds are keen to invest in Myanmar. ⁴⁵ |
| | Corporate sector | | The number of CSR programmes is growing and the largest ones have become foundations such as City Mart Holdings. CSR is expected to grow in Myanmar as a result of increased international links and tourism. ⁴⁶ |
| Enablers | Incubators, accelerators, and capacity-builders | | Around 10 players are actively working to strengthen the support ecosystem for SEs: Incubators and accelerators - Opportunities NOW, Impact Hub Yangon, Phandeeyar, LithuanTechUP Capacity builders- Anthem Asia, Insitor, the British Council Competitions - Code for Change, PS Business School Social Enterprise Idea, UMFCCI Business plan competition. |
| | Networks and platforms | | AVPN, Insitor and Impact Investment Exchange (IIX) provide some of the most notable platforms. |
| | Knowledge and research | | There is a dearth of analysis on Myanmar's social economy. The British Council and GIIN-Dalberg published research studies on Myanmar's SE landscape in 2013 and 2015, respectively. |
| | Partnerships | | There are few known multisector partnerships in Myanmar. The Yoma Bank and IFC partnership to increase lending to SMEs is one such example. ⁴⁷ |
| | Impact measurement | | Current investors use established measurement systems such as the Global Alliance for Banking on Values (GABV) scorecard or customise their metrics based on IRIS. DFIs use standard indicators. ⁴⁸ |

39. British Council, 2013, Social enterprise landscape in Myanmar
40. British Council, 2013, Social enterprise landscape in Myanmar and
USAID, 2015, Mapping Yangon's Emerging Start-up Ecosystem
41. British Council, 2013, Social enterprise landscape in Myanmar
42. Myanmar Information Management Unit, 2017, <http://www.themimu.info/contacts>

43. USAID, 2015, Mapping Yangon's emerging SE landscape and AVPN,
2013, Mapping Myanmar's SE landscape
44. CAF, 2016, World Giving Index
45. British Council, 2013, Social enterprise landscape in Myanmar and

USAID, 2015, Mapping Yangon's Emerging Start-up Ecosystem
46. British Council, 2013, Social enterprise landscape in Myanmar
47. IFC, 2017, IFC and Yoma Bank ink deal
48. GIIN-Dalberg, 2015, The Landscape for Impact Investing in South Asia

OPPORTUNITIES

- Myanmar's population is young with the median age of 30.1 and about 55% of the population is under the age of 30. Coupled with strong GDP growth projections and a fast-growing consumer market, this demographic presents an excellent opportunity to tap local youth as human capital for the social economy.
- After a 50-year ban, global banks are now being allowed back into the financial sector. Global banks can play a vital role in bridging the SME financing gap in Myanmar.
- The increased influx of large American, Japanese and Chinese companies to Myanmar, as a result of the opening up of the Myanmar's economy, provides a favourable environment for fostering international best practices in the country, especially in the areas of CSR and sustainability.
- The imminent inclusion of a legally binding clause that mandates 2% of net profits allocated to CSR with a focus on immediate communities⁴⁹ opens up a new avenue to harness corporate philanthropy towards the achievement of the SDGs.

CHALLENGES

- Myanmar is often described as one of the most challenging countries in the world to start and operate a business. Social entrepreneurs typically struggle with stifling bureaucracy and paperwork for a year or more before they can begin to focus on their selected social issues. Myanmar's underdeveloped infrastructure and slow digital access growth pose further obstacles to entrepreneurs' ability to function effectively and consistently every day.
- Investors are also constrained by the prohibitive legislative framework that surrounds investments in certain sectors and locations in Myanmar.
- Despite current reforms, the legal framework and financial infrastructure of the banking industry lag well behind international standards. The challenges that lie ahead for banks in Myanmar include: the pace of reforms, quality of human

capital and gaining the trust of the public.

- Accounting for 90% of the Myanmar economy, SMEs have the potential to become an engine of economic growth, poverty alleviation and job creation. Financing, however, remains a formidable challenge for SMEs as there is a substantial lack of formal financial services available for SMEs.

RECOMMENDATIONS

The following recommendations emerge from interviews and landscape analysis:⁵⁰

- **Development gaps:**

- Agriculture and microfinance remain high-investment sectors in the current landscape. Given the wide gaps in energy access, financial inclusion, gender equality, and livelihoods — as the SDG dashboard indicates — investment into early-stage SEs operating in fintech, renewable energy, education, and other products and services that serve the BoP could potentially generate significant impact.

- **Social investment:**

- The United Nations Capital Development Fund's Shaping Inclusive Finance Transformations (SHIFT) Challenge Fund co-finance innovative business models and/or cross-sector partnerships that have a commercially sustainable business plan to increase access to affordable financial services for women. The Fund has expanded into Myanmar with the IFC's support and presents an opportunity to co-invest and partner in funding SME growth and women's livelihoods.⁵¹
- Value chain development can strengthen the distribution of upstream and downstream products to/from the BoP. Multilateral institutions such as the ADB, IFC, and other agencies are increasingly financing distribution networks and agro-processing infrastructure. This provides a partnership opportunity for social investors and entrepreneurs focusing on agriculture, products and solutions for the BoP and micro-entrepreneurship.
- Angel investment is still at an early stage in

49. Myanmar Centre for Responsible Business, 2014, Myanmar and CSR: Creating and Implementing Successful Strategy
50. Interviews with Anthem Asia on 7 April 2017, DAWN Myanmar on 27 April 2017 and Synergy Labs on 25 April 2017.

51. Dealstreetasia.com, 2016, IFC sets up development fund for SMEs

Myanmar and, according to some investors, current angel funding activity is not informed by data or awareness of ground situations. Mismatched expectations between investors with funds and investees who cannot absorb this volume of capital create a danger of “market displacement.” Networks and platforms such as Opportunities NOW or Phandeeyar could play a role in bringing together entrepreneurs and angel investors for more informed and deeper engagement with the social economy.

- SMEs are faced with a substantial financing gap in the USD 5,000–50,000 range, which is above the microfinance range and below the range at which banks typically lend. The provision of capital at this level is therefore instrumental for early-stage SEs to become investment-ready.
- Although some social investors in Myanmar have adopted venture philanthropy (VP) practices, the non-monetary support provided to SEs has not resulted in significant gains in the growth or maturity of SEs. For the VP approach to work successfully, investors and incubators should immerse themselves in the local context, partner with grassroots organisations and bring their practical learning to the mentoring process.
- Investors such as Omidyar are already demonstrating a co-investment approach with the British Council, the UK’s Department for International Development (DFID), Singapore-based VC funds and HNWIIs. This provides an instructive example of multi-stakeholder partnerships for effective social investment in the country.
- Government incentives such as tax breaks can help to ‘crowd in’ private investment into SEs and thus should be explored.
- In view of the existing dearth of patient capital available in the country, corporate foundations can play a key role by providing grants to early-stage social entrepreneurs.
- A collateral option and the removal of the USD 5,000 loan threshold would enable MFIs to extend their reach, thereby increasing the number of financing options for SEs.
- **Enablers**
 - Social entrepreneurs in Myanmar mainly have development sector backgrounds, and therefore the majority are focusing on basic needs such as

job creation. Investors and intermediaries can play an important role in expanding the focus of social entrepreneurs to other key areas of need including education, people with disabilities and technological innovations.

- While the size of the business is an important criterion for investment, equally fundamental is the business acumen of the entrepreneur. Entrepreneurs need significant support at various levels of running an enterprise –from book-keeping and accounting to systematic planning for scale-up. Incubators and intermediaries could consider bringing in experts from other more mature social economies such as India or South Korea to train and mentor Myanmar’s emerging SEs. Partnership with networks and platforms will be key to facilitate effective cross-border peer learning and co-investment.

“Myanmar is what India was in the 1990s — a frontier market — volatile, unstable, with huge growth opportunities. Investor support is necessary to help businesses stabilise and get simple things right. The environment for SMEs needs to be strengthened.”

Josephine Price, Anthem Asia

RECOMMENDED READING

- British Council, 2013, Social enterprise landscape in Myanmar
- USAID, 2015, Mapping Yangon’s Emerging Start-up Ecosystem

THE PHILIPPINES

The Philippines is a dynamic country in Southeast Asia, of 103.5 million people¹ and 7,641 islands. With 31.9% of its people under 15 and a median age of 24.2 years, it has the third youngest population in the Association of Southeast Asian Nations (ASEAN) after Laos and Cambodia.² It is an urbanising nation as well, with 44% living in urban areas.³ The country's economic gains have been broad-based: poverty rate, defined as the percentage of the population living below USD 1.90 a day, declined from 10.5% in 2012 to 6.6% in 2015.⁴ The poorest 40% of Filipinos have also seen their incomes grow more rapidly than the national average.⁵

Domestic demand and the government's continuing commitment to infrastructure development are expected to underpin economic growth and enable the Philippines to remain a top performer in the region. Its growth rate is projected at a high 6.9% for 2017 and 7% in 2018.⁶

In 2014, for the first time in its history, the Philippines obtained an investment-grade status from the world's leading credit rating agencies, allowing it to attract more foreign investment and gain affordable access to international capital for domestic development projects.⁷

The government recognises that infrastructure investment, strengthening public governance, human development, improving small- and medium-sized enterprises' productivity and sustainable agriculture are crucial to the achievement of inclusive growth.⁸

1. Philippine Statistics Authority, 2016, Philippine Economy Posts 7.1 Percent GDP Growth in the Third Quarter of 2016
2. United Nations Department of Economic and Social Affairs, 2015, World Population Prospects
3. World Bank, 2014, Urban Population (% of total)
4. World Bank, 2017, Philippines Overview
5. World Bank, 2017, Philippines Overview
6. World Bank, 2016, World Bank upgrades growth projections for the Philippines
7. Aljazeera, 2014, The Philippines: The next Asian Tiger economy?
8. OECD, 2012, Structural Policy Country Notes - Philippines



FACT FILE

Population
2016

102 million

GDP (PPP)
2016

USD 805.2 billion
World Rank 29

World Giving Index Rank
2016

47

(46 in 2015)

- % giving money - 21
- % volunteering time - 42
- % helping a stranger - 55

Poverty
2012

25.2%

Per capita GDP (PPP)
2016

USD 7,728
World Rank 118

COUNTRY CONTEXT FOR INVESTORS

| FACTORS | INDEX SCORE /RANK | DESCRIPTION |
|--------------------------------------|-----------------------|--|
| GDP Growth (2016) | 6.4% | The economy advanced 6.4% in 2016, higher than the 5.9% GDP growth in 2015. In 2017, GDP growth is projected to be between 6.5-7%. |
| Governance (2015) | -0.2 | Philippines ranked above 46% of all the countries in the 2015 World Bank's Worldwide Governance Indicators. ⁹ |
| Consumer Market (2015) | USD 489 billion | Consumer spending increased by 6% from 2014 to 2015. The economy is primarily consumption-based, with household consumption accounting for more than 70% of total GDP. ¹⁰ |
| Labour Force (2016) | 45 million | The national workforce increased by 2% from 2015 to 2016. The Filipino workforce is young, educated, English-speaking and generally low-cost. ¹¹ |
| Infrastructure (2016) | 3.4 | The Philippines ranked 95 among 138 countries in terms of infrastructure in the 2016 WEF's Global Competitiveness ranking. The country's infrastructure investment rate at 21.8% of GDP as of 2014 is well below regional peers. ¹² |
| Financial Access (2014) | 28% of population | Access to finance increased by 6% from 2011 to 2014. ¹³ Nonetheless, the country's account ownership rate of 28% as of 2014 is significantly lower than the East Asia and Pacific's average of 69%. ¹⁴ |
| Digital Access (2015) | 41% of the population | 41% of the Philippines' population had internet access in 2015, up from 40% in 2014. ¹⁵ Mobile adoption stands at 116 subscriptions per 100 inhabitants in 2016. |
| Ease of Doing Business (2016) | 99/190 | The Philippines' Ease of Doing Business rank remained at 99 in 2015 and 2016. Challenges to doing business in the country are government red tape, regulatory uncertainties, a slow judicial system and corruption. ¹⁶ |

Source: CIA, OECD (2017), International Telecommunication Union (2015), World Bank (2016), WEF (2016)

Note: Computation for this section is described in the Methodology.

■ Favourable
 ■ Moderately favourable
 ■ Unfavourable

9. World Bank, 2015, Worldwide Governance Indicators

10. PricewaterhouseCoopers, 2015, Philippines: Consumer growth ignited opportunities in logistics

11. Harvard Business Review, 2015, How the Philippines Became Tech Startups' New Source for Talent

12. Komatsuzaki, 2016, Improving Public Infrastructure in the Philippines

13. World Bank, Financial Inclusion Data

14. World Bank, 2014, The Global Findex Database 2014 - Measuring Financial Inclusion around the World

15. International Telecommunication Union, 2015, Percentage of Individuals using the Internet

16. Export.gov, 2016, Philippines - Market Overview



DEVELOPMENT GAPS IN THE PHILIPPINES

In February 2017, the National Economic and Development Authority Board approved the Philippine Development Plan 2017-2022, the first medium-term plan anchored to the national long-term vision for

2040 or Ambisyon Natin 2040.¹⁷ The Plan aligns the country's development priorities to a large extent to the SDGs with 5 pillars: (i) enhancing the social fabric, (ii) inequality-reducing transformation, (iii) increasing growth potential, (iv) enabling and supportive economic development and (v) foundations for sustainable development.¹⁸











SDG DASHBOARD

Source: sdgindex.org (2016)



17. National Economic and Development Authority, 2017, NEDA Board Approves Philippine Development Plan 2017-2022
18. National Economic and Development Authority, 2017, Philippine Development Plan 2017-2022

GOVERNMENT FOCUS ON DEVELOPMENT GAPS

| FOCUS AREA | SDG GOALS | GAP | GOVERNMENT FOCUS |
|--|---|---|---|
| Agriculture |    | The Philippines' crop production index has been stagnant between 117.6-117.9 in 2012 and 2013. ¹⁹ Agricultural contribution to GDP dropped from 12.3% to 10.3% between 2010-2015. ²⁰ | The Philippine Development Plan seeks to substantially increase the gross value added of agriculture, fisheries and forestry from the baseline value of 1% to 2.5%-3.5% between 2017-2022. ²¹ Strategies supporting this target include improving agricultural productivity and the capacity of agricultural enterprises. |
| Healthcare, water and sanitation |   | In 2012, the World Health Organisation (WHO) estimated 265 cases of tuberculosis (TB) per 100,000 Filipinos. ²² In 2015, 91.8% of Filipinos had access to improved water, but only 73.9% had access to improved sanitation. ²³ | The government's Philippine Strategic Tuberculosis Elimination Plan 1 for 2017-2022, or PhilSTEP 1, is designed to eradicate TB from the Philippines by 2022. ²⁴ The Manila Third Sewerage Project (MTSP) has helped to meet the metropolis' water, sanitation, and urbanisation challenges by delivering improved sewerage and sanitation services. ²⁵ |
| Climate action |   | In 2014, 89.1% of the total population had access to electricity. ²⁶ 45.88%, however, used non-solid fuels. ²⁷ The 2016 World Risk Index ranked Philippines the third most vulnerable and risk-prone area in the world. ²⁸ | The Philippine Energy Plan aims to double the amount of energy generated from renewables by 2030. ²⁹ The Philippine Disaster Risk Reduction and Management Act of 2010 (DRRM Law) establishes local councils that take on the National Disaster Risk Reduction and Management Council's responsibilities at the local level. ³⁰ |
| Small and medium-sized enterprise (SME) growth |    | In 2012, the number of registered micro and SMEs (MSMEs) reached 940,886, representing 99.6% of total enterprises and employing 62.8% of the national workforce. ³¹ SMEs faced an estimated USD 2 billion financing gap. ³² | The Magna Carta for MSMEs mandates banks to allocate 8% of their loan portfolio to micro and small enterprises, and 2% to medium-sized enterprises. ³³ |

Source: ILO, OECD, SDGIndex.org (2016), UNDP, UNEP, UNESCO, WHO, World Bank, wssinfo.org

THE SOCIAL INVESTMENT LANDSCAPE IN THE PHILIPPINES

The Philippines has one of the most vibrant social economies in Southeast Asia, largely driven by a proactive and innovative civil society that not only serves as a catalyst for political change but has also shaped key social and economic policies.³⁴ The country has established several innovative and long-standing approaches to social investment such as pooled-in

funds, debt swaps for development, corporate social responsibility (CSR) funding pools and well-managed family foundation establishments.

Legislative environment

The legislative environment for both social enterprises (SEs) and investors is highly flexible in the Philippines. As there is no specific legal structure for SEs, SEs may adopt existing for-profit or non-profit structures. Two proposed bills currently pending in the Philippine

19. World Bank, World Bank Open Data

20. World Bank, World Bank Open Data

21. National Economic and Development Authority, 2017, Philippine Development Plan 2017-2022

22. Department of Health, 2014, Philippine Plan of Action to control Tuberculosis

23. World Bank, World Bank Open Data

24. Republic of Philippines Health Department, 2016, Change is Coming to Philippine NTP

25. World Bank, 2013, Philippines: Providing Sewerage and Sanitation Services to Over 3 Million People

26. World Bank, 2014, Access to electricity

27. Knoema, 2016, Access to non-solid fuel - Philippines

28. United Nations University's Institute for Environment and Human Security, 2016, World Risk Report

29. Department of Energy, 2012, Philippines Energy Plan 2012-2030

30. Alcayna, T., V. Bollettino, P. Dy and P. Vinck, 2016, Resilience and Disaster Trends in the Philippines: Opportunities for National and Local Capacity Building

31. ADB, 2014, Asia SME Finance Monitor

32. Yoshino, N. and G. Wignaraja, 2015, SMEs Internationalisation and Finance in Asia

33. ADB, 2014, Asia SME Finance Monitor

34. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in Selected Southeast Asian Countries

Demand Side

| PURPOSE | STRUCTURE |
|---|---|
| FOR-PROFIT STRUCTURES³⁵ | |
| Sole proprietorship | In the simplest form of business, a single proprietorship is owned by an individual who has full control of its assets as well as is personally liable for all its liabilities. This is registered through the Bureau of Trade Regulation and Consumer Protection of the Department of Trade and Industry. |
| Partnership | Partners have unlimited liability for the debts and obligation of the partnership. |
| Limited partnership | One or more general partners have unlimited liability and the limited partners have liability up to the amount of their capital contributions. |
| Corporation | A corporation is a juridical entity established under the Corporation Code and registered with the Securities and Exchange Commission (SEC). It must be created by at least 5 persons up to a maximum of 15. The liability of the shareholders of a corporation is limited to the amount of their capital contribution. |
| NON-PROFIT STRUCTURES³⁶ | |
| Non-stock corporation | <p>In the Philippines, non-profit organisations (NPOs) are typically organised as “non-stock corporations” registered under the Corporation Code. Non-stock corporations can be formed for charitable, religious, educational, professional, cultural, fraternal, literary, scientific, social, civic service, or similar purposes, such as trade, industry, agricultural and similar chambers, or any combination thereof (Corporation Code Section 88).</p> <p>The income tax law provides an exemption for: (i) non-stock corporations and associations organised exclusively for religious, charitable, scientific, athletic or cultural purposes, or for the rehabilitation of veterans (Tax Code Section 30e), (ii) civic leagues or organisations operating exclusively for the promotion of social welfare (Tax Code Section 30g) and (iii) non-profit educational institutions (Tax Code Section 30h). An NPO with a donee institutional status is granted the right to receive tax-deductible and tax-exempt donations under the 1995 Tax Code.³⁷ To acquire this status, an NPO must first receive certification from the Philippine Council for NGO Certification (PCNC), an accrediting entity, on the basis of which the Bureau of Internal Revenue will issue the Certification of Registration as a Qualified Donee Institution (Executive Order 720, April 11, 2008.)</p> |

Senate which seek to introduce a legal structure and several incentives for SEs - the Poverty Reduction Through Social Enterprise (PRESENT) Bill and the Social Value Bill – potentially have transformational direct impact on the country’s SE landscape.³⁸ The PRESENT Bill defines SE as an organisation engaged in providing good and services that are directly related to its mission of improving societal well-being.³⁹ The Social Value Bill seeks to promote the inclusion of ‘social value’ - defined as benefits to the society including support for poor communities or marginalised groups, advancement of human rights and social justice, environmental protection and community development – in government procurement.⁴⁰

Supply side

The main vehicles used by foreign investors are domestically incorporated entities and registered branch offices. The regulatory environment in the Philippines tends to favour the establishment of



35. Philippine e-Legal Forum, 2007, Forms of Business: Sole Proprietorship, Partnership, Corporation
 36. Council of Foundations, 2017, Philippines Senate of the Philippines, 2016, Establishing The Philippine Social Value Act

37. NGO: PH, Frequently Asked Questions: Tax Exemption

38. British Council, 2015, A Review of Social Enterprise Activity in the Philippines; Council of Foundations, 2017, Philippines

39. British Council, 2015, A Review of Social Enterprise Activity in the Philippines

40. Senate of the Philippines, 2016, Establishing The Philippine Social Value Act USIG, at Revenue Regulation No. 13-98 Section 3(b), accessed on April 2017

a subsidiary over a branch, as foreign ownership restrictions preclude operation of a branch in certain industries. However, branches generally receive the most favourable tax treatment for foreign investors. The main government agencies with which business structures must be registered are the Department of Trade and Industry (DTI) and the Securities and Exchange Commission (SEC). Businesses owned by individuals register with the DTI, while businesses operated through corporations or partnerships register with the SEC. Although not a formal requirement, it is generally recommended that foreign equity investment, whether cash or in kind, be registered with the Bangko Sentral ng Pilipinas.⁴¹

Corporations and individuals who derive income from a trade, business, or profession may deduct gifts, donations or contributions to accredited (certified by the PCNC) non-stock, non-profit corporations up to 5% of taxable income for corporate donors and 10% for individual donors.⁴² Donations to accredited NPOs, by contrast, can be deducted in full, subject to some limitations.⁴³ In addition to income tax, donations and gifts to accredited NPOs (and certain other entities) are also exempt from the donor's tax, provided that not more than 30% of the donations and gifts for the taxable year are used by the accredited NPOs for administrative expenses.⁴⁴

KEY SOCIAL INVESTORS AND INVESTMENT TRENDS

Public foundations are the largest and most informed grant-makers

The largest grant-makers in the country today are three publicly-endowed foundations: the Foundation for the Philippine Environment (FPE), the Foundation for Sustainable Society, Inc. (FSSI) and the Peace and Equity Foundation (PEF). These were formed with the intention of effectively deploying overseas development assistance (ODA) by leveraging debt swaps as seed funding, along with private capital markets as co-investors. These public foundations have been anchored by civil society organisations with know-how provided by international aid agencies such as USAID.⁴⁵ These public foundations were also set up

to focus on critical unaddressed environment gaps.

The public foundations today have grown in terms of strategic approaches. FPE has moved away from grant-making to becoming a catalyst for collaborative approaches in biodiversity conservation among local stakeholders. FSSI has aligned its endowment investment strategies to its mission: an increasing share of its endowment is invested in local development finance institutions that serve the underprivileged.⁴⁶ PEF increasingly invests in SEs and green technologies that find it hard to raise capital, providing a combination of grant, debt, and equity.⁴⁷

Family foundations move towards collaborative giving

The Philippines has a long history of family foundations and high net worth individuals (HNWIs) committing to local development. Many of these foundations such as the Consuelo "Chito" Madrigal Foundation, Ayala Foundation, and the Ramon Aboitiz Foundation are moving towards well-structured and informed approaches by collaborating with multiple stakeholders in the ecosystem for larger impact. Education is a popular cause among family foundations, followed by health and environment. Over 45% of family foundations implement their own programmes.⁴⁸

Pioneering collective philanthropy through CSR

The Philippine Business for Social Progress (PBSP) is the largest and most influential corporate-led social development foundation in the Philippines. More than 260 large, medium and small-sized businesses contribute to the foundation through a sliding scale of tax-deductible donations, ranging from percentage of profits to fixed membership fees.⁴⁹ In 2015 alone, PBSP disbursed development loans amounting to USD 4.95 million and grants worth USD 81.7 million.⁵⁰

Pooling CSR resources helps PBSP multiply the development benefits. A strong financial base and successful implementations have allowed PBSP to access funds from international agencies such as

41. PricewaterhouseCoopers, 2015, Finding your way - Doing business and investing in the Philippines

42. USIG, at Revenue Regulation No. 13-98 Section 3(a), accessed on April 2017

43. USIG, at Revenue Regulation No. 13-98 Section 3(b), accessed on April 2017

44. USIG, at Revenue Regulation No. 13-98 Section 3(c), accessed on April 2017

45. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in Selected Southeast Asian Countries

46. Inquirer.net, 2016, Unleashing the potential of social enterprises in PH

47. Business Mirror, 2016, BPI Foundation, PEF allot P30 million for social enterprises in 3 years

48. UBS-INSEAD, 2011, Family Philanthropy in Asia

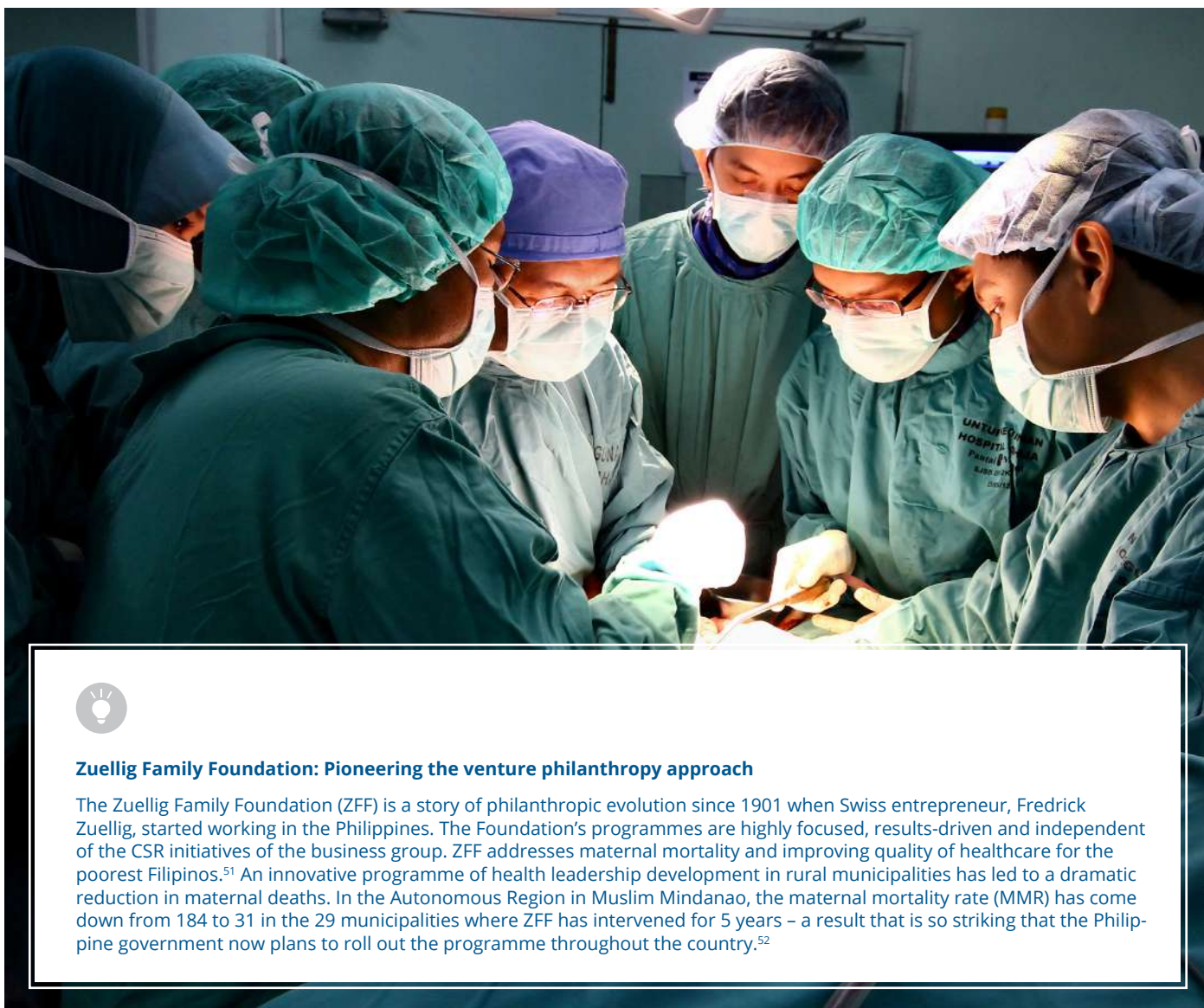
49. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in Selected Southeast Asian Countries

50. PBSP, 2015, Annual Report

DEMAND, SUPPLY AND SUPPORT ECOSYSTEM IN PHILIPPINES

| | DEMAND | | | |
|--|---------------------------------------|---|---|--|
| | Charities/Non-profits | Social Enterprises | Businesses with Sustainability Focus | Businesses |
| SUPPLY | Foundation/ Trust/Family Office | Ayala Foundation (Grant) | | |
| | | Aboitiz Foundation (Grant) | | |
| | | British Council East Asia and China Region (Grant) | | |
| | | Bill & Melinda Gates Foundation (Grant) | | |
| | | Ford Foundation (Grant, Equity) | | |
| | | Foundation for the Philippine Environment (Grant, Debt) | | |
| | | | Foundation for a Sustainable Society (Grant, Equity) | |
| | | | Peace and Equity Foundation Inc. (Grant, Equity) | |
| | | Rockefeller Foundation (Grant) | | |
| | | The Consuelo "Chito" Madrigal Foundation (Grant) | | |
| | | The Gawad Kalinga Community Development Foundation (Grant, Debt, Equity) | | |
| | | | United States Agency for International Development (USAID) (Grant) | |
| | | Zuellig Family Foundation (Grant) | | |
| | | | | |
| | | | | |
| Corporate | | Coca-Cola (Grant) | | |
| | | Johnson & Johnson (Grant) | | |
| | | Philsteel Holdings Corp. (Grant) | | |
| | | San Miguel Foundation (Grant) | | |
| | | Sanofi (Grant) | | |
| Impact Fund | | | Abraaj Capital (Equity) | |
| | | | Accion Venture Lab (Equity) | |
| | | | Bamboo Finance (Equity, Debt) | |
| | | | ChangeFusion (Convertible Debt, Debt, Equity, Grant) | |
| | | | ICCO Investments (Equity, Debt) | |
| | | | Impact Investment Exchange (IIX) Growth Fund (Equity) | |
| | | | LGT Impact Ventures (Equity, Grant) | |
| | | | LeapFrog Investments (Equity) | |
| | | | Omidyar Network (Grant, Equity) | |
| | | Oxfam (Grant, Equity) | | |
| | | | Rare's Meloy Fund (Debt, Equity) | |
| | | | Synergy Social Ventures Limited (Convertible Grant, Equity, Grant) | |
| | | | Uberis Capital (Equity) | |
| | | | Unitus Capital (Convertible Debt, Debt, Equity) | |
| Financial Institution | | | Asian Development Bank (Grant, Debt) | |
| | | | DEG (Grant, Debt) | |
| | | | International Finance Corporation (Debt, Equity) | |
| Crowdfunding/ Fundraising Platform | | | The Spark Project (Grant) | |
| | | Give2Asia (Grant) | | |
| Support | | Incubators, Accelerators & Capacity Builders | Networks & Platforms | Research & Knowledge |
| | | <ul style="list-style-type: none"> Ashoka Philippines Gawad Kalinga (GK) GK Enchanted Farm GKonomics Global Social Entrepreneurship Network (GSEN) Grameen foundation IdeaSpace Incubator Impact Investment Exchange (IIX) LGT Impact Ventures UnLtd Philippines Xchange | <ul style="list-style-type: none"> ANDE Philippines AVPN Ashoka Philippines Ateneo Social Research Center British Council East Asia and China Region Family Business Network Asia Women Organizing for Change in Agriculture & Natural Resources (WOCAN) | <ul style="list-style-type: none"> Ateneo Social Research Center International Rice Research Institute Institute for Social Entrepreneurship in Asia (ISEA) Southeast Asian Regional Center for Graduate Study and Research in Agriculture WISE - philanthropy advisors |
| | | | | Legal & Implementation |
| | | | | <ul style="list-style-type: none"> Asia Value Advisors Limited |

Key Actors in the Social Economy in the Philippines Source: AVPN-Sattva analysis, British Council (2013), John et al. (2013), Lien Centre for Social Innovation (2014), press research.



Zuellig Family Foundation: Pioneering the venture philanthropy approach

The Zuellig Family Foundation (ZFF) is a story of philanthropic evolution since 1901 when Swiss entrepreneur, Fredrick Zuellig, started working in the Philippines. The Foundation's programmes are highly focused, results-driven and independent of the CSR initiatives of the business group. ZFF addresses maternal mortality and improving quality of healthcare for the poorest Filipinos.⁵¹ An innovative programme of health leadership development in rural municipalities has led to a dramatic reduction in maternal deaths. In the Autonomous Region in Muslim Mindanao, the maternal mortality rate (MMR) has come down from 184 to 31 in the 29 municipalities where ZFF has intervened for 5 years – a result that is so striking that the Philippine government now plans to roll out the programme throughout the country.⁵²

UNDP, World Food Programme and USAID.⁵³ PBSP implements CSR programmes for its members in 4 areas: health, education, environment, and livelihoods.⁵⁴ Over the years, the foundation has enabled Philippine corporates to move towards strategic CSR by setting up capacity building programmes for SPOs, designing innovative multi-stakeholder partnerships between corporates and SEs and providing avenues for corporates to build shared value programmes.⁵⁵

In 2011, The Philippine House of Representatives passed the "Corporate Social Responsibility Act of 2011, which directed " all business organisations established and operating under the Philippines Law, contribute on a voluntary basis."⁵⁶ Corporates

in the Philippines are generally actively engaged with CSR, yet, there is room for funding impactful work in environment, human rights and governance.⁵⁷

The emergence of community foundations

Community foundations have emerged as an increasingly driving force in the philanthropy sector in the Philippines. Modelled similarly to those in the UK and promoted by the Association of Foundations, these foundations partner with community organisations with customised solutions to local development problems, and engage in diaspora fundraising.⁵⁸ One of the pioneers of this model is the Gawad Kalinga Community Development Foundation

51. Philanthropy Impact, 2015, Innovating Times for Asian Philanthropy

52. Zuellig Foundation, 2015, Annual Report

53. PBSP, 2015, Annual Report

54. PBSP, 2015, Annual Report

55. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in Selected Southeast

Asian Countries

56. Enterprise Innovation, 2011, Bill institutionalizing CSR

57. Lien Centre for Social Innovation, 2013, Contextualising CSR in Asia: Corporate Social Responsibility in Asian economies

58. UBS-INSEAD, 2011, Family Philanthropy in Asia

(GK). Established in 2003, the Foundation has worked with over 2,000 organised communities by combining different solutions for poverty alleviation including building homes, schools, clinics and fostering entrepreneurship.⁵⁹ GK has received various awards⁶⁰ as well as attracted significant corporate funding and volunteer talent from young professionals.⁶¹

Support for SEs on the rise

LGT Impact Ventures, IIX, Omidyar Network and Unitus are some of the most notable international impact investors that are active in the Philippines. Local foundations and incubators such as FSSI, FPE, PEF and Xchange provide grants, debt and equity investment as well as non-financial support to build up SEs' capacity. Oikocredit is a cooperative society that offers loans or investment capital for microfinance institutions, cooperatives and SMEs in developing countries. It is one of the world's largest private financiers of the microfinance sector.⁶² With upcoming legislative changes to recognise SEs, the Philippines is setting itself towards becoming an impact investment hub in Southeast Asia.





The Ayala Foundation: Bringing social capital towards disruptive change

The Ayala Foundation, one of the largest private foundations in the Philippines, has a robust 3-pronged framework towards investing which is to:

1. Address national challenges, including nationwide concerns not adequately supported or dealt with by others.
2. Build a social community of participants for each initiative, including the government, corporate sector, experts and local activists.
3. Make leveraged contributions, by soliciting funds at institutional and retail investor levels to leverage the Foundation's contribution by a factor of at least 2:1, where investors bring in twice as much as the foundation invests.

Using this framework, the Foundation has spearheaded Internet connectivity setup to enable digital learning across the country's 6,785 public high schools.⁶³

Recent investments in the Philippines (2015-2016)

| Social enterprise | Investor | Sector | Instrument | Amount | Details of work |
|---------------------------------------|---|--------------------|------------|-----------------|---|
| International Rice Research Institute | Bill & Melinda Gates Foundation | Agriculture | Grant | USD 880,000 | The grant will help Indian and Bangladeshi rice breeding programmes deliver higher rates of genetic gains in the farmers' fields by improving product design, shorten breeding cycles, increase selection pressure, and improve heritability. |
| Oxfam Australia | Australian Department of Foreign Affairs and Trade (DFAT) | Financial access | Equity | USD 500,000 | The aim of the grant is to provide access to microfinance services in the Philippines using a digital finance platform. |
| First Circle | Accion | Financial services | Equity | USD 1.3 million | First Circle is a fintech startup that uses technology to lend to SMEs at scale. |

Source: dealstreetasia.com, Foundation Center

59. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in Selected Southeast Asian Countries

60. Gawad Kalinga, Recognition and Awards

61. Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in Selected Southeast Asian Countries

62. Oikocredit, <https://www.oikocredit.coop/>

63. UBS-INSEAD, 2011, Family Philanthropy in Asia

The Philippines has an advanced social economy led by creative approaches to funding, scalable SEs and pioneering cross-sectoral collaborations

| CATEGORY | FACTOR | RATING | DESCRIPTION |
|------------------|---|--------|---|
| SPOs | Legislative environment | | SEs may be registered under existing legal structures. The proposed PRESENT Bill and Social Value Bill could significantly transform the country's social economy. |
| | Government support | | The government has taken initial steps in supporting the SE sector with the proposed PRESENT Bill and Social Value Bill. |
| | SEs across sectors | | SEs permeate a range of sectors including education, health and agriculture as well as sustainable lifestyle models such as ethical products. |
| | Presence, size, and maturity of SEs | | There are about 30,000 SEs in the Philippines, broadly defined to include revenue generating NGOs, cooperatives, fair trade groups and microfinance institutions. ⁶⁴ Several SEs have achieved national scale including Rags2Riches, Bagosphere, Hapinoy, Human Nature and Gawad Kalinga. ⁶⁵ |
| Investors | Philanthropic contributions | | Local foundations and HNWIs are actively engaged in philanthropy and committed to growing the ecosystem. |
| | Presence of social investors | | LGT Impact Ventures, IIX, Omidyar Network and Unitus are some of the most notable international social investors that are active in the Philippines. Local foundations and incubators such as FSSI, FPE, PEF and Xchange provide grants, debt and equity investment as well as non-financial support to build up SEs' capacity. |
| | Corporate sector | | Collaborative innovations among corporates include pooled-in CSR funds, responsible business programmes and strategic CSR promoted by PBSP. |
| Enablers | Incubators, accelerators, and capacity-builders | | Several incubators are present in the Philippines: IdeaSpace has brought in new players such as USAID, Acumen Fund and Silicon Valley. GKonomics and Enchanted Farm, both GK affiliates, incubate SEs at the community level. |
| | Networks and platforms | | Conferences, workshops and competitions are run by British Council, Xchange, Ashoka, Ateneo de Manila University and AVPN. |
| | Knowledge and research | | Philippines has a relatively well documented social economy in the region. Various research reports have been published by the British Council, the Lien Centre for Social Innovation, ISEA, UBS-INSEAD. |
| | Partnerships | | LGT IV, Xchange, PBSP, GKonomics and Enchanted Farm are only a few examples illustrating multi-stakeholder collaboration. PBSP, Consuelo and Ayala Foundation have worked on cross-sectoral collaborations to lead impact-oriented development efforts. Local organisations such as Gawad Kalinga, Xchange, FSSI as well as community foundations, corporates and family foundations have pioneered several innovations to support SEs. |



Partnership Opportunity

64. British Council, 2015, A Review of Social Enterprise Activity in The Philippines
65. British Council, 2015, A Review of Social Enterprise Activity in The Philippines



OPPORTUNITIES

- The Philippines has the 3rd youngest population in ASEAN, with a median age of 24.2. The country's SE sector is also one of the most vibrant in the Southeast Asian region. The young demographic offers opportunities to harness the passion and commitment of youth in leading and joining SEs.
- Two bills pending in the Philippine Senate which seek to introduce a legal structure and several incentives for SEs — the PRESENT Bill and the Social Value Bill — could be transformational for the country's social economy.
- Leadership from the civil society and the corporate sector in creating domestic pools of capital has made the Philippines an early adopter of social investment. These funding networks and partnerships provide a strong foundation to test new ideas and innovative models in social finance.

- Networks such as the Philippine Business for Social Progress (PBSP), PEF and FSSI serve as key influencers in advocating and diffusing strategic CSR practices as well as strengthening implementation among SPOs.

CHALLENGES

- A shortage of people with business skills in the SEs workforce poses a barrier to the sector's growth.
- Low digital access (41% of the population) and financial access (28% of the population) could be a hindrance to the growth of SEs.

RECOMMENDATIONS

The following recommendations emerge from secondary research and interviews:

● Development Gaps

- While there is a plethora of organisations addressing community challenges, rural poverty alleviation, women empowerment and energy access are high-gap areas that could benefit immensely from social investment activity.

● Social Investment

- Enacting the pending PRESENT Bill and Social Value Bill could give a strong fillip to SEs as well as social investment in the country.
- Family foundations are already demonstrating more evolved venture philanthropy approaches. Going forward, family and corporate foundations could be key drivers of inclusive business models in the country by supporting SEs.
- Environmental sustainability, human rights and governance — central aspects which influence the integral functioning of a business — are the next frontiers that local corporations could aspire to work towards improving.
- Social investors and pooled funds could consider increasing investment into intermediaries who offer incubation support, capacity building and technical assistance for SPOs.
- Pooled CSR funds such as PBSP could allocate a share of capital towards pilots and partnerships in critical SDG gap areas as well as developing more rigorous methods and techniques for impact measurement.
- Scaled-up models such as Gawad Kalinga's community initiatives could be replicated in remote rural areas through the provision of specialised funds.

● Enablers

- Existing network and incubators should create collective grants that could be utilised by SEs to professionally handle organisational roles such as accounting, legal support, and marketing.
- The majority of SEs in the Philippines are product-based, with a strong focus on livelihood-based goods. The absence of service-based SE models suggests that Philippine social entrepreneurs have the opportunities to address unmet demand by moving into new sectors. Investors and enablers can offer incentives and opportunities to help entrepreneurs start up in some of these critical sectors.

- There is a strong geographic concentration of SE activities in urban areas, especially around Manila. Incubators should extend support to rural SEs as well as encourage urban SEs to expand into rural areas.

RECOMMENDED READING

- British Council, 2015, A Review of Social Enterprise Activity in The Philippines
- Lien Centre for Social Innovation, 2014, From Charity to Change: Social Investment in Selected Southeast Asian Countries
- UBS-INSEAD, 2011, Family Philanthropy in Asia



SINGAPORE

Once a British colonial trading post, Singapore today is a thriving global financial hub and is described as one of Asia's economic "tigers." This densely-populated high-income city state has maintained exemplary economic performance. In 2016, it ranked the best investment destination in Asia.¹ For several years, the country has taken up the runners-up spot in being adjudged the easiest country to do business in the world.² It also ranked 6th on the Global Innovation Index in 2016.³

The island nation's population consists of around 74% Chinese, 13% Malays and 9% Indians. By 2020, Singapore is expected to have a total of 188,000 millionaires — which means that 1 in 30 Singaporeans will be a millionaire,⁵ signifying high potential for individual philanthropy.

After gaining independence in 1963, Singapore has rapidly transformed from a low-income country to a high-income country by virtue of its trade and workforce. In the early 1970s, Singapore reached full employment and joined the ranks of Hong Kong, South Korea and Taiwan a decade later as Asia's newly industrialising countries. Manufacturing and services sectors remain strong and are the twin pillars of Singapore's economy.⁶

1. EDB, 2016, About Singapore
2. World Bank, Doing Business - Singapore
3. Cornell University, INSEAD and the World Intellectual Property Organisation (WIPO), 2016, Global Innovation Index 2016 - Winning with Global Innovation
4. Department of Statistics Singapore, 2016, Singapore in Figures
5. CNN, 2015, Singapore adding millionaires faster than Hong Kong
6. World Bank, 2017, Singapore Overview



FACT FILE

Population
2016

5.8 million

GDP (PPP)
2016

USD 492.6 billion
World Rank 40

World Giving Index Rank
2016

28
(34 in 2015)

Per capita GDP (PPP)
2016

USD 87,855
World Rank 3

- % giving money - 58
- % volunteering time - 23
- % helping a stranger - 50

COUNTRY CONTEXT FOR INVESTORS

| FACTORS | INDEX SCORE /RANK | DESCRIPTION |
|--------------------------------------|-----------------------|---|
| GDP Growth (2016) | 1.7% | The economy advanced 1.7% in 2016, lower than the 2% growth in 2015. In 2017, GDP growth is projected to be between 2 and 2.5%. |
| Governance (2015) | 1.6 | Singapore ranked above 95% of all the countries in the 2015 World Bank's Worldwide Governance Indicators. ⁷ |
| Consumer Market (2015) | USD 123 billion | Consumer spending increased by 4% from 2014 to 2015. While Singapore's growth prospects have improved in 2017, consumption growth is forecast to remain subdued. ⁸ |
| Labor Force (2016) | 3 million | The national workforce increased by 1.6% from 2015 to 2016. Singapore will see a continued slowdown of local labour force growth or even stagnation in the next decade according to the Ministry of Manpower. ⁹ |
| Infrastructure (2016) | 6.5 | Singapore ranked second among 138 countries in terms of infrastructure in the 2016 WEF's Global Competitiveness ranking. |
| Financial access (2014) | 96% of population | Singapore registered a 96% account ownership in 2014, significantly higher than the East Asia and Pacific's average of 69%. ¹⁰ |
| Digital Access (2015) | 82% of the population | Internet penetration increased by 3% from 2014 to 2015. ¹¹ The mobile-cellular subscription rate is high at 146.5 per 100 inhabitants. ¹² |
| Ease of Doing Business (2016) | 2/190 | Singapore's Ease of Doing Business rank improved slightly from 3 rd in 2015 to 2 nd in 2016. Factors contributing to the enabling business environment in Singapore include its location as a major distribution and logistics hub and gateway to the ASEAN region, lack of corruption, favourable tax codes, strong intellectual property protection and an English-speaking population. ¹³ |

Source: CIA, International Telecommunication Union (2015), OECD (2017), World Bank (2016), WEF (2016)

Note: Computation in this section is described in the Methodology.

■ Favourable ■ Moderately favourable ■ Unfavourable

7. World Bank, 2015, Worldwide Governance Indicators

8. Business Times, 2017, Singapore economy expected to grow 2.4% as exports, factory output increase: report

9. Strait Times, 2016, Good jobs crucial amid low employment growth

10. World Bank, Financial Inclusion Data; World Bank, 2014, The Global Findex Database 2014 - Measuring Financial Inclusion around the World

11. International Telecommunication Union, 2015, Percentage of Individuals using the Internet

12. World Bank, 2015, Mobile Cellular Subscription Singapore

13. Export.gov, 2016, Doing Business in Singapore



DEVELOPMENT GAPS IN SINGAPORE

While Singapore is one of the largest financial centres in the world with a high standard of living, it is faced with the challenges of rapid urbanisation and high population density. Increased demand for scarce natural resources such as land and water is likely to put upward pressure on commodity prices as

Singapore is highly dependent on imports.¹⁴ Further, Singapore's rapidly ageing population necessitates more efficient healthcare delivery and resource use.¹⁵ Strengthening enterprise capabilities, fostering innovation and entrepreneurship, improving environmental sustainability and harnessing healthcare innovations are some of the key policy priorities outlined by the Committee on the Future Economy in February 2017.¹⁶

SDG DASHBOARD

Source: sdgindex.org (2016)







14. World Bank, Singapore – Imports of Goods and Services (% GDP)

15. Strait Times, 2017, A higher level of healthcare

16. Committee on the Future Economy, 2017, Report of the Committee on the Future Economy - Pioneers of the next generation

GOVERNMENT FOCUS ON DEVELOPMENT GAPS

| FOCUS AREA | SDG GOALS | GAP | GOVERNMENT FOCUS |
|--|---|---|--|
| Climate action |  | The country is vulnerable to the impacts of climate change such as sea-level rise, higher temperatures, more pronounced dry seasons and more intense rainfall. ¹⁷ While Singapore contributes about 0.11% of total greenhouse gas (GHG) emissions worldwide, in 2015 it ranked 26 out of 142 countries in terms of emissions per capita due to its small size and high population density. ¹⁸ | The Singapore government's Climate Action Plan 2016 focuses on energy efficiency and sustainable urban design. 95% of the electricity is generated by natural gas. ¹⁹ By 2015, there were a total of 636 solar PV installations across Singapore with a combined grid-connected capacity of 25.5 MW. ²⁰ Singapore plans to introduce a carbon tax in 2019, and has steadily been incentivising electric vehicles. ²¹ Additionally, through its Intended Nationally Determined Contributions (INDC), Singapore aims to reduce its emissions intensity by 36% from 2005 levels by 2030. |
| Small and medium-sized enterprise (SME) growth |   | With a 2.2% share of R&D expenditure in total GDP, Singapore ranked 12th worldwide in 2014, lagging many other industrialised economies. ²² Labour productivity growth in domestically-oriented sectors has been significantly lower at 0.8% per annum compared to 5.3% for export-oriented sectors between 2009-2014. ²³ | The Innovation & Capability Voucher supports SMEs to improve business efficiency and productivity. ²⁴ The Productivity and Innovation Credit scheme provides tax credits on actual innovations and other innovation-related activities such as training, the acquisition of intellectual property rights and R&D activities. ²⁵ |
| Social security |  | The number of Singaporeans aged 65 and above is projected to double to 900,000, which means 1 in 4 Singaporeans will be in that age group. ²⁶ Low fertility rate at 1.2 in 2016 further accelerates the pace of ageing. ²⁷ | In 2016, the Ministerial Committee on Ageing introduced the national plan to support elderly Singaporeans. Key policy measures and programmes include: enhancing lifelong employability, National Seniors' Health Programme, workplace health programme targeting mature workers aged 40 and above, doubling the number of community hospital beds, increasing nursing home capacity by more than 70%, increasing home and community care places by 50% and 100% respectively and transforming Singapore into a senior-friendly city. ²⁸ |

Source: ILO, OECD, SDGIndex.org (2016), UNDP, UNEP, UNESCO, WHO, World Bank, wssinfo.org

THE SOCIAL INVESTMENT LANDSCAPE IN SINGAPORE

Singapore has become a launch pad for many development finance institutions and international non-profit organisations to manage their regional operations.²⁹ With formidable strengths including

global connectivity, pro-business environment and strong research institutions, Singapore aspires to help Asia overcome pressing regional societal challenges. To this end, the Singapore government has spearheaded multiple initiatives to foster the social entrepreneurship ecosystem. Chief among them was the establishment of the Singapore Centre

17. Ministry of Communications and Information, 2016, Singapore unveils latest plans for addressing climate change

18. National Climate Change Secretariat, 2016, Singapore's Emissions Profile

19. Energy Markets Authority Singapore, 2015, Singapore Energy Statistics 2015

20. Energy Markets Authority Singapore, 2015, Singapore Energy Statistics 2015

21. Straits Times, 2017, Singapore Budget 2017: 6 things to know about the new carbon tax, tweaked vehicle emissions schemes

22. World Bank, Research and development expenditure (% of GDP)

23. Ministry of Finance, 2015, Speech by Mr Tharman Shanmugaratnam, Deputy Prime Minister And Minister For Finance, At The May Day Dinner

24. SPRING Singapore, Innovation & Capability Voucher at a Glance

25. Inland Revenue Authority of Singapore, Productivity and Innovation Credit Scheme

26. Ministry of Health, 2016, Action Plan for Successful Ageing

27. Straits Times, 2017, Singapore's total fertility rate dipped to 1.20 in 2016

28. Ministry of Health, 2016, Action Plan for Successful Ageing

29. Economic Development Board (EDB), International Non-Profit Organisations

for Social Enterprise (raiSE), with funding from the Tote Board and the Ministry of Social and Family Development, that currently supports over 400 social enterprises (SEs). Top-down support, coupled with an entrenched culture of philanthropy, active presence of international impact investors and rising corporate contributions, is poised to catapult Singapore into a regional social innovation hub.

structure, whereby profits earned are channelled into a separate charity or non-profit organisation (NPO) set up by the same founder(s) of the commercial business.³⁰

Singapore has an open and liberal investment landscape and foreign investment into both for-profit and non-profit ventures are welcomed in the region.³¹

Legislative environment

SEs may choose to set up as a non-profit or a for-profit

| STRUCTURE | PURPOSE |
|---|---|
| FOR-PROFIT STRUCTURES³² | |
| Private Limited Company | A private limited company is limited by shares with a maximum of 50 members and is registered as such under the Companies Act. A private limited company can receive funding in the form of donations, grants, equity, and debt, insofar as such acceptance does not breach the terms of the Memorandum or Articles of Association. The receipt of equity or debt funding may have implications under the Securities and Futures Act and its related regulations. |
| Sole Proprietorship | Sole proprietorship is a business that is run by a single individual. It can receive funding in the form of donations, grants, and debts. The receipt of debt funding may have implications under the Securities and Futures Act and its related regulations. The business cannot receive funding in the form of equity as it does not have a share capital. |
| Partnership | A partnership is an unincorporated association having no legal entity separate from its members. It is limited to a minimum of 2 members and a maximum of 20 members. It can receive funding in the form of donations, grants, and debts. The receipt of debt funding may have implications under the Securities and Futures Act and its related regulations. Funding in the form of equity is not applicable for a partnership as it does not have a share capital. |
| NON-PROFIT STRUCTURES³³ | |
| Trust | A trust is an arrangement set out in a document where a settlor would hand over certain property to a group of persons to administer the trust property for an intention specified in the trust Instrument. Funding in the form of donations, grants, and debt can be accepted, insofar as such acceptance does not breach the terms of the trust instrument or the purpose of the trust. |
| Society | Under the Societies Act, a society includes any club, company, partnerships, or association of ten or more persons and must be registered with the Registrar of Societies. A society can accept donations and grants. It can also accept debt funding insofar as it does not contravene with the rules of the society. However, a society cannot receive funding in the form of equity as it does not have a share capital. |
| Registered Charity | Charities in Singapore are regulated under the Charities Act and its associated regulations. Charity refers to any institution, corporate or not, which is established for charitable purpose. A Company Limited by Guarantee (CLG), trust, or society can be registered as a charity in Singapore. The form of funding that a registered charity can accept depends on the structure of the charity, that is, whether it is a CLG, trust, or a society. It also depends on whether its governing instrument prohibits certain types of funding. Charities in Singapore are tax exempt but cannot issue tax deductible receipts to donors to claim tax relief on donations. |
| Institutions of Public Charity | Registered charities can apply for Institution of Public Charity (IPC) status to be allowed to issue tax deductible receipts to donors. The amount of tax relief has fluctuated over time to incentivise giving towards various targeted sectors. In 2017, the tax relief for donations towards IPCs was 250% and there were 580 IPCs. ³⁴ |
| Company Limited by Guarantee | A Company Limited by Guarantee (CLG) has no share capital and is the corporate form that many charities and non-profits take. Upon liquidation of the CLG, a member's liability is limited to the guarantee amount stated in the Memorandum of Association. A CLG can accept grants and debt funding but has not ability to accept equity funding. |

30. AVPN, 2014, Getting Started in Venture Philanthropy in Asia

31. Export, 2016, Hong Kong-Macau – Openness to and Restriction on Foreign Investment

32. AVPN, 2014, Getting Started in Venture Philanthropy in Asia - see the AVPN website for limited partnership and limited liability partnership

33. AVPN, 2014, Getting Started in Venture Philanthropy in Asia

34. Ministry of Culture, Community and Youth, 2017, Institutions of Public Character

DEMAND, SUPPLY AND SUPPORT ECOSYSTEM IN SINGAPORE

| DEMAND | | | | | |
|--|---|---|---|--|---|
| SUPPLY | Foundation/ Trust/Family Office | Charities/Non-profits | Social Enterprises | Businesses with Sustainability Focus | Businesses |
| | | Goh Foundation (Grant) | | | |
| | | Lee Foundation (Grant) | | | |
| | | Lien Foundation (Grant) | | | |
| | | Manan Trust (Grant) | | | |
| | | Mornington Services Pte Ltd (Grant) | | | |
| | | Mrs Lee Choon Guan Trust Fund (Grant) | | | |
| Corporate | | raiSE Singapore Centre for Social Enterprise (raiSE) (Convertible Grant, Equity, Grant) | | | |
| | | Tan Chin Tuan Foundation (Grant) | | | |
| | | The Community Foundation of Singapore (Grant) | | | |
| | | Trafigura Foundation (Grant) | | | |
| | | Tsao Foundation (Grant) | | | |
| | | Banyan Tree Global Foundation (Equity) | | | |
| | | CapitaLand Hope Foundation (Grant) | | | |
| Impact Fund | | DBS Foundation (Grant) | | | |
| | | Garena (Grant) | | | |
| | | Hong Leong Foundation (Grant) | | | |
| | | Kimberly-Clark (Grant) | | | |
| | | Medtronic International (Grant) | | | |
| | | Microsoft Operations Ltd. (Grant) | | | |
| | | NTUC Fairprice Foundation (Grant) | | | |
| Financial Institution | | SPH Foundation (Grant) | | | |
| | | Temasek Foundation (Grant) | | | |
| | | | | Abraaj Capital (Convertible Grant, Equity) | |
| | | | | Accion International (Equity) | |
| | | | | Bamboo Finance (Equity, Debt) | |
| | | | | East Ventures (Debt, Equity) | |
| | | | | Insitor Impact Asia Fund (Equity) | |
| Crowdfunding/ Fundraising Platform | | | | LeapFrog Investments (Equity) | |
| | | | | LGT Impact Ventures (Grant, Equity) | |
| | | | | Omidyar Network (Grant, Equity) | |
| | | | | PBMT Social Ventures (Equity) | |
| | | | | BNP Paribas (Debt, Equity) | |
| | | | | Credit Suisse (Debt, Equity) | |
| | | | | Lombard Odier (Debt) | |
| Support | | | | UOB Venture Management Private Limited (Equity) | |
| | | | | Crowdo (Debt, Equity) | |
| | | Give2Asia (Grant) | | | |
| | | GiveAsia (Grant) | | | |
| | | Giving.sg (Grant) | | | |
| | | | | Indiegogo (Equity, Grant) | |
| | | | | Milaap (Debt, Grant) | |
| Support | Incubators, Accelerators & Capacity Builders | Networks & Platforms | | Research & Knowledge | Legal & Implementation |
| | <ul style="list-style-type: none"> NUS Asia Centre for Social Entrepreneurship and Philanthropy Impact Investment Exchange (IIX) The Impact Hub Singapore National Council of Social Service Singapore Centre for Social Enterprise (raiSE) Singapore International Foundation Tech For Good Milaap Social Ventures (SG) Tote Board Tsao Foundation | <ul style="list-style-type: none"> AVPN BoP Hub BRIDGE British Chamber of Commerce CSR Asia (Singapore) Family Business Network Asia Forum for the Future National Council for Social Service Singapore Centre for Social Enterprise (raiSE) Singapore Compact for CSR (Global Compact Network Singapore) | <ul style="list-style-type: none"> Singapore Venture Capital and Private Equity Association (SVCA) Social Innovation Park The Impact Hub Singapore The President's Challenge Social Enterprise Award Tonic | <ul style="list-style-type: none"> Earth Observatory of Singapore, Nanyang Technological University INSEAD (Singapore) Lien Centre for Social Innovation (LCSI) NUS Asia Centre for Social Entrepreneurship and Philanthropy Republic Polytechnic School of Social Sciences, Singapore Management University Singapore University of Social Sciences (SUSS) | <ul style="list-style-type: none"> NUS Asia Centre for Social Entrepreneurship and Philanthropy Empact JustCause National Volunteer & Philanthropy Centre (NVPC) TalentTrust The Impact Hub Singapore |

KEY SOCIAL INVESTORS AND INVESTMENT TRENDS

Family foundations push boundaries in grant-making

In a society with an entrenched culture of giving, family foundations, along with corporates, form the bedrock of grant-making in Singapore. In 2014, donations from family foundations totalled 40 million across sectors including healthcare, higher education, arts, culture and humanities and the environment.³⁵ Family foundations in Singapore have been prominent donors for causes outside Singapore as well, in countries such as China and India, given the ethnicity of their founders. In 2011, 33% of family philanthropic giving in Singapore was directed towards foreign causes.³⁶

Notable family foundations are: Lee Foundation, Tsao Foundation, Lien Foundation, Tan Chin Tuan Foundation and Goh Foundation. Some family offices in Singapore donate across the issue areas, whereas others have engaged deeply on 1-2 areas. For example, Lee Foundation and Shaw Foundation give grants in areas spanning from medicine to arts and culture. Lien Foundation is active in promoting early childhood education, elder care and water and sanitation; Tsao Foundation focuses on elderly care; while Tan Chin Tuan Foundation works to promote community development and education.³⁷ With the younger generation taking over responsibilities in the family businesses, there is further evidence of professionally-run organisations, ecosystem initiatives and strategic approaches to philanthropy among family foundations. Such examples include the Asia Philanthropy Circle, a membership platform for giving started by Stanley Tan and Laurence Lien, the grandson of Lien Ying Chow,³⁸ and the Tan Chin Tuan Foundation, now managed by his granddaughter.³⁹

Individual philanthropy is growing steadily

The philanthropic culture in Singapore has been actively nurtured by the significant presence of high net worth individuals (HNWIs). By 2020, HNWIs in Singapore are expected to reach 188,000 — roughly 1



Lien Foundation: Radical Philanthropy and the Think-Act-Scale model

The Lien Foundation was established 15 years after Singapore's independence by banking entrepreneur, Lien Ying Chow, who donated half his wealth to philanthropy. As one of the oldest philanthropic institutions in Singapore, three decades of practicing philanthropy has made the foundation particularly 'radical' in its approach.⁴⁰

The Foundation adopts a 'Think-Act-Scale' model towards the social issue: Thinking, by establishing a thought leadership position in the given field, including by collaboration with academic institutions; Acting, including establishing pilots in collaboration with governmental and other institutions, and Scaling, by designing initiatives as separate entities, with specific mandates and professionalised boards, to enable other contributors to come in.⁴¹ The Lien Foundation invests in building the social economy in Singapore, China, Indonesia, Cambodia and Vietnam.

35. Coutts, 2015, Singapore

36. UBS-INSEAD, 2011, Family Philanthropy in Asia

37. Lien Centre for Social Innovation, 2015, Singapore, the Impact Investing Hub of Asia? A Comparison with Hong Kong

38. Forbes, 2015, Heroes of philanthropy: Singapore's Laurence Lien Seeks to Make Giving a Regional Movement

39. BBC, 2014, Singapore banking dynasty gives back through charitable family foundation

40. John, R., P. Tan and K. Ito, 2013, Innovation in Asian Philanthropy

41. UBS-INSEAD, 2011, Family Philanthropy in Asia

millionaire in 30 people, indicating sizeable potential to further grow philanthropy in the country.⁴²

In 2014, the highest individual donation was USD 3.9 million from Chua Tian Poh for the Skills Future Jubilee Fund.⁴³ Other prominent Singaporean philanthropists include Valencia football club owner Peter Lim, who gives to sports and education, Nippon Paint Singapore founder Goh Cheng Liang, who donates to healthcare and Professor Saw Swee Hock, an expert on population and statistics, who gives to universities and higher education.

An analysis of HNWIs' social investing portfolio in 2016 reveals a major share going towards sustainable mainstream companies, with similar proportions given to private (24.3%) and publicly traded (24.8%) companies.

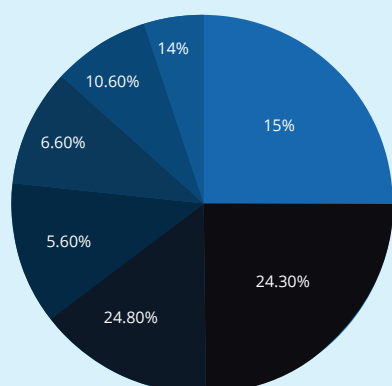
Individual giving and volunteering have also grown significantly in recent years. Giving increased from

USD 1.25 billion in 2014 to USD 2.18 billion in 2016, while informal volunteerism doubled from 25% to 51% over the same period.⁴⁴

Corporate contributions form a major share of philanthropic giving

While the corporate social responsibility (CSR) movement in Singapore was formally launched with the establishment of the Global Compact Network Singapore in 2005 (formerly known as Singapore Compact for CSR),⁴⁵ it has gathered significant momentum only in the last 5 years. In 2014, contribution by corporates accounted for nearly 90% of the total philanthropic outflow in Singapore of USD 536 million.⁴⁶ The motivation for CSR is attributed in part to a greater imperative among businesses to demonstrate good corporate citizenship, and in part to the attractive 250% tax deduction offered by the government to companies operating in Singapore and donating to Institutions of Public Character (IPCs).⁴⁷

Prominent corporate foundations include the Temasek Foundation, SPH Foundation, DBS Foundation, NTUC FairPrice Foundation, Banyan Tree Global Foundation, CapitaLand Hope Foundation, and Hong



- Social impact bonds
- Interest bearing loans to charities
- Dedicated SRI funds
- Interest free loans to charities
- Other
- Investment in publicly listed companies with a sustainability focus
- Investment in private companies for sustainable impact



NVPC - Growing philanthropy in Singapore

National Volunteer & Philanthropy Centre (NVPC) is a well-funded and capable field-building organisation to support volunteerism and philanthropy amongst individuals as well as corporate and family philanthropies. Its programme 'Company of Good' aims to inspire businesses to give more holistically through investment, integration, institutionalisation and impact.⁴⁸

42. Singapore Business Review, 2015, Singapore will be a land of millionaires by 2020

43. Coutts, 2015, Singapore

44. National Volunteer & Philanthropy Centre (NVPC), 2016, Individual Giving Survey

45. Straits Times, 2015, Evolution of CSR in Singapore

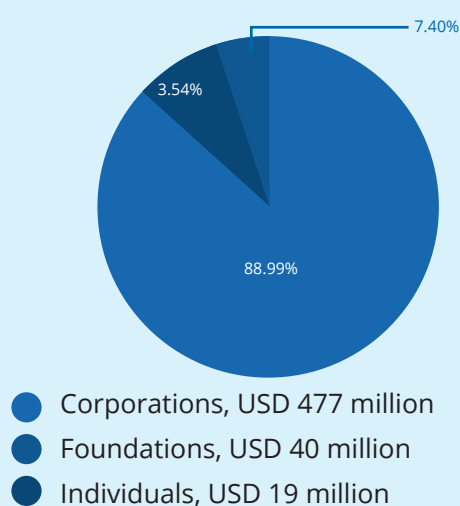
46. Coutts, 2015, Singapore

47. Lien Centre for Social Innovation, 2014, From Charity to Change: Social investment in selected Southeast Asian countries

48. National Volunteering and Philanthropy Centre, 2017 Company of Good

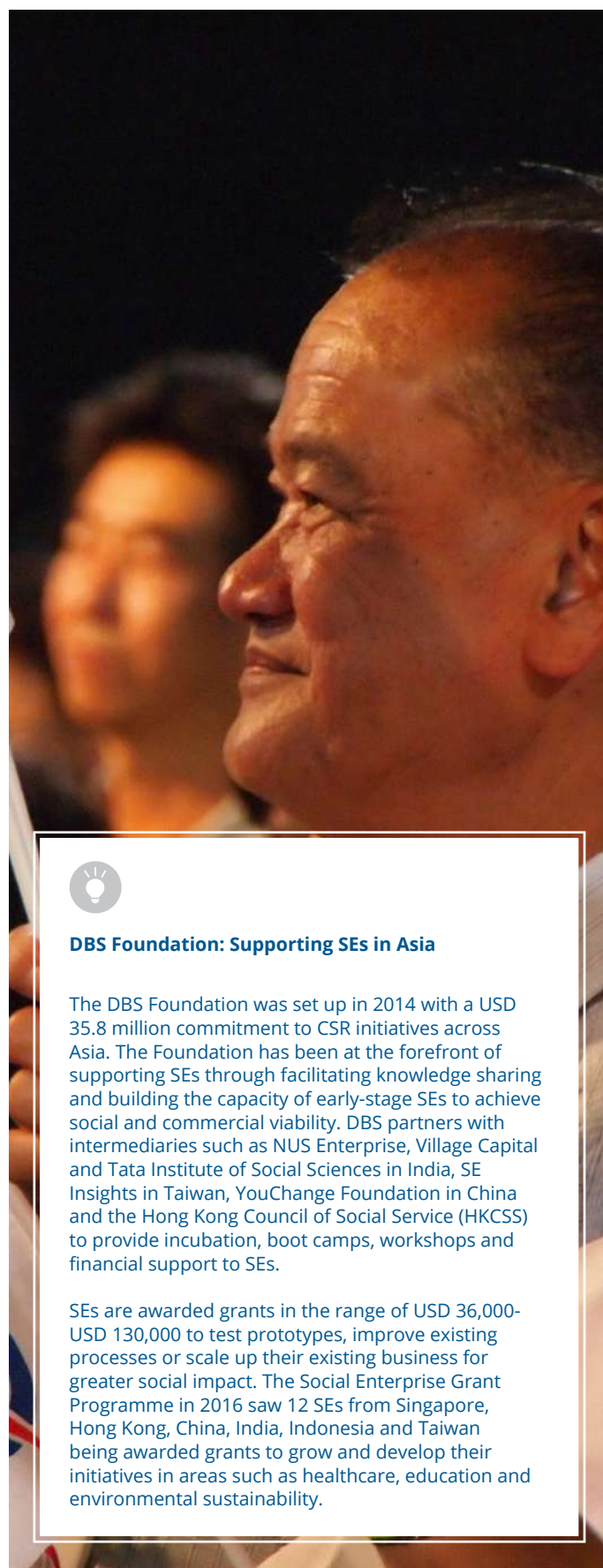
Leong Foundation. Corporate sustainability among businesses is slowly evolving from traditional CSR to incorporate environmental, social and governance (ESG) principles in business practices and strategy. In recognition of this growing trend, the Singapore Exchange (SGX) has issued guidelines for companies to include sustainability reporting as part of annual reports on a 'comply or explain' basis beginning Dec 31, 2017.⁴⁹ About 37% (186/502) of all listed Singaporean companies published Global Reporting Initiative (GRI)-compliant reports in 2016, a 25% increase over 2014, signifying a growing interest in corporate sustainability practices.⁵⁰

Sources of large giving in Singapore



Impact investing funds support SE growth

Currently, five international impact investing funds operate in Singapore: LGT Impact Ventures (IV), Bamboo Finance, Omidyar Network, East Ventures and LeapFrog Investments, offering social purpose organisations (SPOs) across Southeast Asia a combination of grant, debt and equity. Impact-first investors such as LGT IV support early-stage SEs with funding through grants, equity, debt and convertible debt, and it invests significantly in mentorship and capacity building for SEs through accelerator programmes. Bamboo Finance and Leapfrog Investments are private equity firms focusing on



DBS Foundation: Supporting SEs in Asia

The DBS Foundation was set up in 2014 with a USD 35.8 million commitment to CSR initiatives across Asia. The Foundation has been at the forefront of supporting SEs through facilitating knowledge sharing and building the capacity of early-stage SEs to achieve social and commercial viability. DBS partners with intermediaries such as NUS Enterprise, Village Capital and Tata Institute of Social Sciences in India, SE Insights in Taiwan, YouChange Foundation in China and the Hong Kong Council of Social Service (HKCSS) to provide incubation, boot camps, workshops and financial support to SEs.

SEs are awarded grants in the range of USD 36,000-USD 130,000 to test prototypes, improve existing processes or scale up their existing business for greater social impact. The Social Enterprise Grant Programme in 2016 saw 12 SEs from Singapore, Hong Kong, China, India, Indonesia and Taiwan being awarded grants to grow and develop their initiatives in areas such as healthcare, education and environmental sustainability.

49. PricewaterhouseCoopers, 2016, SGX Sustainability Reporting Guide for Companies in Singapore
50. CSR Asia, 2015, Sustainability reporting in Singapore- the next chapter

Sources: Foundation Center, dealstreetasia.com

growth-stage and mature companies.⁵¹

Home-grown organisations supporting SE growth include DBS Foundation and the Singapore Centre for Social Enterprise (raiSE).⁵² Launched in 2015 and funded by the Ministry of Social and Family Development and the Tote Board, raiSE currently administers a total funding of SGD 30 million which it will distribute to qualified SEs in grants (VentureForGood and VentureforGood Youth schemes) and investments (raiSE Impact Finance scheme).⁵³

Intermediaries such as the Singapore-based Impact Investment Exchange (IIX) are mobilising capital through innovative finance, investment platforms and ecosystem participation. The impact accelerator helps firms raise seed capital and move to early capital stage. The IIX Growth Fund invests growth capital, while the impact exchange helps SEs reach maturity.⁵⁴

Crowdfunding offers alternative financing mechanisms for causes and businesses

The act of appealing to the kindness of strangers online has been a rising trend in Singapore. More people are turning to donation sites such as Giveasia, Indiegogo, Milaap, Giving.sg (online platform set up by NVPC), in the hope of raising more funds with less red tape. While Indiegogo Singapore platform hosted over a 100 campaigns as of 2016, Giving.sg has over 380 causes to date.⁵⁵ SG Gives, now rebranded as Giving.sg, Singapore's leading online donation portal, achieved a record USD 9.35 million in donations towards helping the disadvantaged and vulnerable communities in 2014. This could be attributed to #GivingTuesdaySG, an international campaign adopted by NVPC in December to celebrate a global day of giving.⁵⁶

Crowdfunding is also fast becoming an alternative financing mechanism for entrepreneurs looking to raise capital to either start or expand their business. All four models — donation-based, rewards-based, lending-based and equity crowdfunding — are seen

in Singapore. A handful of local online crowdfunding platforms have been launched in recent years such as FundedHere, MoolahSense, Crowdo, Cliquefund and Capital Match, offering different options.⁵⁷

In June 2016, the Monetary Authority of Singapore (MAS) decided to bring securities-based crowdfunding platforms under its ambit. This move, which was under consideration for some months and for which the regulator had invited public comments, will serve to lay down clear rules for crowdfunding transactions. It is also expected to reassure investors that the crowdfunding organisation they are dealing with has met the requirements laid down by MAS.⁵⁸

Giving circles help donors grow in generosity

The pooling of donations by individuals to form a giving circle is well known in the US, where there are thought to be over 600 as of 2016.⁵⁹ Giving circles provide a way to share ideas and help investors make better decisions, while bringing resources to non-profits in a focused manner. Notable ones in Singapore include:

- The Asia Philanthropy Circle (APC), an exclusive membership platform to foster exchange, coordination and collaboration among Asian philanthropists.
- APVentures (Asian Philanthropy Ventures), a Singaporean giving circle that meets quarterly and has so far pooled its financial resources and expertise in support of five initiatives, including the launch of Ashoka in Singapore. As the circle developed, its members hired a professional staff member, realising that projects would be better sourced and progress faster if not limited by the time that individuals could give.⁶⁰
- The Funding Network, an initiative of the Community Foundation of Singapore (CFS) which aims to help donors find their philanthropic passion by giving over 200 charities an opportunity to pitch their cause and raise funds through an auction of donations.

51. Lien Centre for Social Innovation, 2015, Singapore, the Impact Investing Hub of Asia? A Comparison with Hong Kong

52. Lien Centre for Social Innovation, 2015, Singapore, the Impact Investing Hub of Asia? A Comparison with Hong Kong

53. raiSE, Our Initiatives

54. IIX, IIX Growth Fund

55. Strait Times, 2016, Crowdsourcing: More Singaporeans using online platforms to raise funds

56. Coutts, 2015, Singapore













57. Fintech News, 2016, Singapore's Crowdfunding Scene

58. Monetary Authority of Singapore, 2015, Facilitating Securities-Based Crowdfunding

59. John, R., 2016, Innovating Times for Asian Philanthropy

60. Interviews with AVPN members

Singapore is Asia's new social innovation hub driven by active government support and a vibrant ecosystem consisting of social investors, universities, platforms and enablers

| CATEGORY | FACTOR | RATING | DESCRIPTION |
|------------------|---|---|---|
| SPOs | Legislative environment |  | Singapore is one of the easiest countries to do business. SEs can adopt both for-profit and non-profit structures. |
| | Government support |  | The government has been active in fostering the country's social economy. The Singapore Centre for Social Enterprise (raiSE), funded by the Ministry of Social and Family Development and the Tote Board, provides financial and non-financial support to qualified SEs. ⁶¹ Other government initiatives include NVPC for volunteerism and corporate engagement and Global Compact Network Singapore in CSR. The government also offers tax incentives for corporate philanthropic contributions as well as established matching grant platforms for individual giving such as SHARE as One. ⁶² |
| | SEs across sectors |  | SEs in Singapore operate across a wide array of sectors ranging from healthcare, education and training, environment, finance and insurance to art and culture. ⁶³ Their areas of impact centre around creating employment opportunities and empowering the disadvantaged. |
| | Presence, size, and maturity of SEs |  | There are over 400 SEs supported by raiSE. ⁶⁴ While social entrepreneurship is still at early stages, Singapore is poised to become a regional hub for SEs. ⁶⁵ |
| Investors | Philanthropic contributions |  | In a society with an entrenched culture of giving, family foundations form the bedrock of grant-making in Singapore. Notable ones are Tan Chin Tuan Foundation, Lien Foundation, Lee Foundation, Tsao Foundation and Goh Foundation, which are evolving to adopt strategic and venture philanthropic approaches. |
| | Presence of social investors |  | Many international impact investors are based in Singapore such as LGT IV, Bamboo Finance, Omidyar Network, East Ventures and LeapFrog Investments. Notable local social investors include raiSE and DBS Foundation. |
| | Corporate sector |  | The Global Compact Network Singapore has more than 300 corporate members as of 2015. ⁶⁶ CSR is moving towards integrating ESG into business operations. |
| Enablers | Incubators, accelerators, and capacity-builders |  | There has been a proliferation of hackathons, incubation and accelerator programmes covering various issues, locally and regionally, such as Singapore International Foundation (SIF)'s Young Social Entrepreneurs (YSE), SG Enable on disabilities, Agency for Integrated Care (AIC) on ageing, Singtel Future Makers, Tech For Good, Pact Incubators, among others. |
| | Networks and platforms |  | Networks and platforms operating in Singapore include: AVPN, SIF, BoP Hub, Family Business Network Asia, Tonic, CSR Asia and Singapore Venture Capital and Private Equity Association (SVCA). |
| | Knowledge and research |  | Various publications on the Singapore's social economy have been released by the Lien Centre for Social Innovation, NUS Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP), AVPN, National Council for Social Studies (NCSS), Tsao Foundation, Singapore Management University, Republic Polytechnic, INSEAD (Singapore) and the Singapore University of Social Sciences (SUSS – formerly UniSIM). |
| | Partnerships |  | The Singapore Economic Development Board launched the International Organisations Programme Office in 2005 to create a vibrant cluster of international non-profit organisations (INPOs) which will not only use Singapore as a base for regional operations, but to foster a healthy partnership ecosystem with local charities and SEs. There are currently around 140 INPOs, including the World Bank Group, Conservation International and the United Nations Development Programme (UNDP). ⁶⁷ |
| | Impact measurement |  | There is evidence of organisations conducting impact assessment using standards such as IRIS and SROI. |



Partnership Opportunity

61. raiSE, www.raise.sg
62. Community Chest, SHARE as One
63. raiSE, Social Enterprise Directory
64. raiSE, www.raise.sg

65. Strait Times, 2016, Singapore has potential to be regional hub for social enterprise
66. Global Compact Network Singapore, 2015, Annual Report 2015
67. EDB, 2017, International Non-profit Organisations



OPPORTUNITIES

- Singapore provides one of the most vibrant environments for SEs to thrive in. Given the quality of ecosystem support available through incubators, accelerators, universities, and networks, there is a significant potential to build SEs in Singapore that can scale regionally.
- The trend of progressive second generation family members assuming greater responsibilities in family foundations is bringing in informed approaches to family giving, which can be further tapped for growing the social economy.
- In recognition of the potential for corporate philanthropy, the NCSS has recently strengthened its efforts to collaborate with corporations for contributions to the Community Chest. The Community Foundation of Singapore is increasingly facilitating corporate giving, providing an opportunity to partner in channelling funds for SEs.
- Singapore has a significant pool of business professionals, many of whom are inclined to volunteer. Their expertise can be tapped on to strengthen the capacity of SEs.

- HNWIs give substantially to private and public corporations for sustainability efforts. Envisioning a broader definition of sustainability provides an opportunity for SEs to partner with corporations.
- Singapore is a hub of impact investment with international investors such as LGT IV, Bamboo Finance, Omidyar Network being present, signalling an opportunity for SEs to learn from and be mentored by these established organisations.

CHALLENGES

- While there are several sources of funding, funders lack a steady pipeline of worthwhile investment opportunities through SEs in growth stages.
- Most philanthropic giving still follows the traditional grant-making model.
- While tax incentives encourage domestic giving to Institutions of Public Character (IPCs), there are no incentives to encourage giving to other countries to Asia.

RECOMMENDATIONS

The following recommendations emerge from landscape analysis and interviews:⁶⁸

● Development gaps

- Environmental issues and elderly care are two key areas where charities, SEs and private investment could potentially create significant impact.

● Government

- The Tote Board Enabling Lives Initiative Grant is a USD 20 million programme launched in 2014 that takes an outcomes-based approach to foster collaborations and seed innovations in the disabilities sector.⁶⁹ Ecosystem support efforts along these lines that address other issue areas would positively reinforce the social economy.
- A robust legal framework would enable social entrepreneurs to set up legal entities that are appropriate to the social-financial mission of an SE as well as strengthen their accountability. Providing tax incentives to SEs could further encourage corporates, family foundations and giving circles to contribute a larger share to the SE sector.
- Given the advanced nature of the social economy, pay-for-success mechanisms could be set up in the country to 'crowd in' private capital into societal challenges and foster social entrepreneurship.

● Social Investment

- Creating additional local initiatives such as the SE grant and support programme of the DBS Foundation could further venture philanthropy and impact investing approaches in the country, cementing its position as the Asian hub for social innovation.
- Given the disproportionately large number of SEs in the early stages of growth, impact investors could consider creating separate seed funds and offering a combination of funding and non-financial support to help SEs become investable.
- International investors could deepen partnerships with local investors and capacity builders such as raiSE, DBS Foundation, SIF to gain further insights into the Singapore's



68. Interviews with ACSEP on 13 April 2017 and 4 May 2017
69. SG Enable, 2017, Tote Board Enabling-Lives Initiative Grant



social economy and sharpen their investment strategies.

- In light of the limited adoption of venture philanthropy in the country, international and local social investors could collaborate more closely with HNWI, family foundations and family offices as partners to provide in-depth capacity building support to high-potential SEs.

● Enablers

- A 2016 AVPN study on effective social incubation in Asia finds that the breadth and depth of the network and partnership of the incubators are key to their success in securing follow-on funding for their incubatees,⁷⁰ signifying the importance of multi-stakeholder collaboration in the social economy.
- By working together to build efficient and all-encompassing business pipelines, incubators and accelerators can help the sector grow overall.
- Highlighting opportunities of the sector to venture philanthropists can bring in diverse forms of capital and expertise in the social economy.
- Philanthropy advisories could reach out further to HNWI, family foundations and family offices to orient them on the benefits of venture philanthropy and impact investing.
- There is a significant potential in crowdfunding which can be tapped to support SEs and social causes.
- High-potential SEs at the growth and mature stage could be provided customised support to expand operations regionally.

RECOMMENDED READING

- AVPN, 2016, Effective Social Incubation – First Insights from Asia
- John, R., P. Tan and K. Ito, 2013, Innovation in Asian Philanthropy

70. AVPN, 2016, Effective Social Incubation – First Insights from Asia

THAILAND

Thailand is one of the modern world's standout examples of rapid, equitable development. Economically and socially, the country has risen from low-income to upper-middle income status in less than 30 years. The proportion of Thais below the poverty line has decreased from 67% in 1986 to 7.2% in 2015, a change attributed primarily to economic growth¹. Some of Thailand's social welfare indicators are equally impressive, not least the 100% primary school enrolment rate achieved in 2015² and the 100% health coverage rate achieved with the government's Universal Coverage Scheme (with satisfaction rates of over 90% among the insured)³.

When the long-ruling and deeply revered King Bhumibol Adulyadej of Thailand passed away in 2016, political instability created uncertainty around civilian rule. There was a consequent dip in overseas business interest in the country.⁴ Notwithstanding this dip and a domestic climate of low business confidence that has persisted since 2013, foreign businesses continue to be drawn by Thailand's strategic position between China and India, and its access to the ASEAN Free Trade Area.⁵ Foreign direct investment (FDI) inflows reached USD 951 million in 2016, exceeding the target set by the country's Board of Investment. Japan was the largest investor in Thailand in 2016, followed by China.⁶

The government has embarked on an ambitious reform programme to boost long-term growth and help Thailand achieve high-income status.⁷ In addition, problems such as the urban-rural divide, different quality in the public education system, environmental degradation, and changing demographics — although mitigated by overall development — call for innovative approaches and collaboration, involving the state as well as the private sector.⁸

1. World Bank, 2017, Thailand Overview

2. World Bank open data for Thailand, accessed March 2017

3. Health Insurance Systems Research Online, 2012, Thailand's Universal Coverage Scheme

4. CNBC, 2017, King Bhumibol's death could put Thailand's political stability

5. OEC, 2015, Thailand Overview

6. ASEAN briefing, 2017, Thailand in 2017 a changing investment landscape

7. Live Trading News, 2017, Thailand remains an attractive investment destination

8. World Bank, 2017, Thailand overview



FACT FILE

Population
2016

68.2 million

GDP (PPP)
2016

USD 1.16 trillion
World Rank 20

World Giving Index Rank
2016

37

(19 in 2015)

- % giving money - 63
- % volunteering time - 17
- % helping a stranger - 44

Poverty
2012

12.6%

Per capita GDP (PPP)
2016

USD 16,888
World Rank 73

COUNTRY CONTEXT FOR INVESTORS

| FACTORS | INDEX SCORE /RANK | DESCRIPTION |
|--------------------------------------|-----------------------|--|
| GDP Growth (2016) | 3.2% | The economy advanced 3.2% in 2016, faster than the 2.8% growth in 2015. In 2017, GDP growth is projected between 3.0%-3.5%. |
| Governance (2015) | -0.3 | Thailand ranked above 43% of all the countries in the 2015 World Bank's World Governance Indicators. |
| Consumer Market (2015) | USD 539 billion | Growth in the consumer markets in retail and e-commerce is steady. |
| Labour Force (2016) | 40 million | Thailand's labour force is characterised by skills gaps as well as gaps in connecting the underprivileged to opportunities, and an ageing society. ⁹ |
| Infrastructure (2016) | 4.4 | Thailand ranked 49 of 138 countries in terms of infrastructure by the World Economic Forum. Thailand is the second largest spender on infrastructure in Asia (behind Indonesia) till 2015, with spending projected to reach USD 58.5 billion by 2025 ¹⁰ driven by high-speed rail projects. |
| Financial Access (2014) | 78% of the population | Access to formal banking increased by 7% from 2011 to 2014. |
| Digital Access (2015) | 39% of the population | 31.93% of the population are smartphone users and more than 90% of internet users in Thailand access the internet through smartphones. ¹¹ |
| Ease of Doing Business (2016) | 46/190 | Thailand remained at 46 in the Ease of Doing Business rankings in 2015 and 2016. The government has implemented pro-FDI policies and instituted multiple incentives to create a conducive business environment. ¹² |

Source: CIA, International Telecommunication Union (2015), OECD (2017), WEF (2016), World Bank (2016)

Note: Computation in this section is described in the Methodology.

■ Favourable
 ■ Moderately favourable
 ■ Unfavourable

9. SCBEIC, 2015, Bridging Thailand's Labour Gap

10. PricewaterhouseCoopers, 2014, PwC says global infrastructure, capital spending to hit \$9 trillion by 2025

11. Statista, 2015, Smartphone user penetration in Thailand

12. ASEAN Briefing, 2017, Thailand in 2017: A Changing Investment Landscape



DEVELOPMENT GAPS IN THAILAND

A handful of factors exert a drag on development in Thailand, including an ageing society, a low level of educational attainment (only 38% of Thais have a secondary education), and environmental hazards.¹³ Poverty is a rural phenomenon, with 88% of the poor living in areas distant from the major cities.¹⁴

Thailand 4.0 (2016-2036) is a comprehensive inclusive growth programme formulated by the government to maximise the use of digital technologies in all socio-economic activities. The goal is to develop infrastructure, innovation, data, human capital, and other digital resources that will ultimately

drive the country towards prosperity, stability, and sustainability.¹⁵ The four areas of focus are:

- The digital economy — The goal is for all Thais to have access to broadband by 2026.
- Physical infrastructure — This includes the initiation of construction on the Thailand-China high-speed rail link.
- Agricultural reform — The ‘Smart Farmer’ project focuses on knowledge sharing and skill development.
- Local economic development — 18 provincial clusters have been selected for targeted developmental policies in automotive, electronics, tourism, agriculture, and robotics.

SDG DASHBOARD FOR THAILAND

Source: sdgindex.org (2016)





13. World Education News and Reviews, 2014, Thailand

14. World Bank, 2017, Thailand Overview

15. ASEAN Briefing, 2017, Thailand in 2017 a changing investment landscape

GOVERNMENT FOCUS ON DEVELOPMENT GAPS

| FOCUS AREA | SDG GOALS | GAP | GOVERNMENT FOCUS |
|--|---|---|--|
| Agriculture |  | In 2016, agriculture employed 32% of the national workforce but contributed only 9.1% to the GDP. ¹⁶ Increasing agricultural productivity is key to reducing rural poverty in Thailand. | Thailand 4.0 focuses on producing premium quality agri-produce, with a focus on climate, food processing, and smart distribution. ¹⁷ |
| Climate action |  | The 2016 World Risk Report by the Institute for Environment and Human Security places Thailand in the medium risk category, with a rank of 89 out of 171 countries. | The Intended Nationally Determined Contributions (INDC) goal is to reduce greenhouse gas (GHG) emissions by 20% by 2020. The government established the National Catastrophe Insurance Fund (NCIF) in 2012 to provide disaster insurance to both businesses and households. |
| Education |  | Although Thailand has achieved 100% primary school enrolment as of 2015, only 1.4% of Thai primary students demonstrate superior problem-solving and analytical reasoning skills, compared to the average of 15% in ASEAN. Only 38% of Thai children obtain secondary school education. | The Education Reform Commission was established in 2015 to work closely with the National Legislative Council (NLC) and the Ministry of Education to draft an education reform framework, focusing on teacher and student training, and the use of ICT in education. ¹⁸ |
| Energy access |  | While 100% of the Thai population has access to energy since 2012, only 73% of Thais used non-solid fuels as of 2014. The focus is to increase access to cleaner, more efficient energy to help Thailand meet INDC goals. | The USD 8.3 billion Clean Technology Fund (CTF) was launched in 2008, dedicated to a portfolio of renewable energy investments and geared toward achieving significant reductions of GHG emissions and accelerating private sector investment in utility-scale clean energy projects. |
| Health |  | Thailand spent only 4.1% of its GDP on healthcare in 2015, less than half of the world average of 9.8%. An average of two people died every hour from multi-drug resistant tuberculosis (TB) as of 2012. ¹⁹ | Thailand seeks to halve antimicrobial-resistant (AMR) infections by 2021, joining the global battle against “superbugs”. |
| Small and medium-sized enterprise (SME) growth |  | In 2012, there were 2.7 million SMEs contributing to 37% of the GDP and engaging 80.4% of Thailand’s workforce. ²⁰ 58% of SMEs were not eligible to borrow from financial institutions, and 17% viewed access to finance as a major barrier in the same year. ²¹ | A 2016 law permits individuals to establish a company, which will formalise around 2.74 million SMEs that were ‘sole proprietorships’ without legal separation of company and personal assets. ²² The SME Development Bank of Thailand (SME Bank), commercial banks, and the Thai Credit Bureau offer various schemes for SMEs. |
| Social security |  | By 2040, a projected 17 million Thais above 65 years of age will account for more than a quarter of the population. | To meet the growing demand for elderly care, the government expanded the roles of the Local Administrative Organisations (LAO) and Village Health Volunteers (VHVs) to include home visits and educational outreach. |

Source: ILO, OECD, SDGIndex.org (2016), UNDP, UNEP, UNESCO, WHO, World Bank, wssinfo.org

16. Oxford Business Group, 2016, Thailand drought weakens agricultural outlook

17. Asian Institute of Technology, 2016, Thriving in the 21st Century through Security, Prosperity & Sustainability

18. Asia Pacific Economic Cooperation, 2015, Thailand in 2017 a changing investment landscape

100

19. Ministry of Public Health, Tuberculosis in Thailand

20. ADB Institute, 2015, Importance of SMEs in the Thai economy

21. Deloitte, 2015, Digital banking SMEs

22. ASEAN Briefing, 2016, Thailand in 2017

THE SOCIAL INVESTMENT LANDSCAPE IN THAILAND

The growth of Thailand's social purpose organisations (SPOs) has been hampered by intermittent periods of distrust towards civil society organisations among businesses and the government. The recent withdrawal of overseas development assistance for Thailand signifies the imperative to develop self-sustaining organisations. While a comprehensive mapping of the social enterprise (SE) sector in Thailand has not been performed, it is estimated that there are about

116,000 SEs in the country, with many in their early stages.²³

Legislative environment

Demand side

In Thailand, an SE can be registered either as a for-profit or non-profit legal entity, both of which are governed under the Thai Civil and Commercial Code.²⁴



| STRUCTURE | PURPOSE |
|--|--|
| FOR-PROFIT STRUCTURES | |
| Unregistered ordinary partnership | Partners are jointly and wholly liable for all obligations of the partnership. This form of partnership is not a juristic entity and is treated as an individual for tax purposes. |
| Registered ordinary partnership | Registered with the Commercial Registrar, these are legal entities that are separate and distinct from the individual partners. |
| Limited partnership | Individual liability is restricted to the amount of capital contributed by each partner to the partnership; or one or more partners are jointly liable without any limitation for all obligations of the partnership. |
| Private limited company | A private limited company is formed by any three or more persons through a process that leads to the registration of a Memorandum of Association (Articles of Incorporation) and Articles of Association as its constitutive documents. |
| NON-PROFIT STRUCTURES | |
| Association | An association is a legal entity conducting any activity which is to be done continuously and collectively by persons other than that of sharing profits or incomes earned. |
| Foundation | A foundation consists of property specially appropriated to public charity, religions, art, science, education or other purposes for the public benefit and not for sharing profit. Registration of a foundation requires at least a committee consisting of at least three members. |

23. The Guardian, 2012, Thai social enterprises are booming thanks to strong government support
 24. Siam Legal, 2015, Thai civil and commercial code

DEMAND, SUPPLY AND SUPPORT ECOSYSTEM IN THAILAND

| | DEMAND | | | |
|--------|--|---|---|--|
| | Charities/Non-profits | Social Enterprises | Businesses with Sustainability Focus | Businesses |
| SUPPLY | Foundation/ Trust/Family Office | Bill & Melinda Gates Foundation (Grant) | | |
| | | DBS Group (Grant) | | |
| | | Epic Foundation (Grant) | | |
| | | Ford Foundation (Grant, Equity) | | |
| | | Inspirasia Foundation (Grant) | | |
| | | Khon Thai Foundation (Grant) | | |
| | | Rockefeller Foundation (Grant) | | |
| | | Thai Health Promotion Foundation (Grant) | | |
| | Corporate | AirAsia Foundation (Grant) | | |
| | | Central Group (Grant) | | |
| | | Chearavanont (Grant) | | |
| | | Coca-Cola (Grant) | | |
| | | Premier Group (Grant) | | |
| | | Siam Cement Group (Grant) | | |
| | Impact Fund | | Abraaj Capital (Convertible Grant, Equity) | |
| | | B-KIND Fund (Equity, Debt) | | |
| | | ChangeFusion (Convertible Debt, Debt, Equity, Grant) | | |
| | | East Ventures (Debt, Equity) | | |
| | | EcoAsia Sustainable Agriculture Fund (Debt, Equity) | | |
| | | LeapFrog Investments (Equity) | | |
| | | LGT Impact Ventures (Equity, Grant) | | |
| | | Mekong Brahmaputra Clean Development Fund (Debt) | | |
| | | Omidyar Network (Equity, Grant) | | |
| | | PhiTrust Asia (Convertible Debt, Debt, Equity) | | |
| | Financial Institution | Asian Development Bank (Grant, Debt) | | |
| | | DEG (Grant, Debt) | | |
| | | Kasikornbank (Grant, Debt) | | |
| | | Propanco (Grant, Debt) | | |
| | Crowdfunding/ Fundraising Platform | Give2Asia (Grant) | | |
| | | Taejai (Grant) | | |
| | Support | Incubators, Accelerators & Capacity Builders | Networks & Platforms | Research & Knowledge |
| | | <ul style="list-style-type: none"> AirAsia Foundation Ashoka Thailand BanPu Champions for Change Inspirasia Foundation LGT Impact Ventures ThaiFund Thai Young Philanthropist Network (TYPN) Thammasat University UnLtd Thailand | <ul style="list-style-type: none"> ANDE Thailand AVPN British Council East Asia and China Region Epic Foundation Khon Thai Foundation Network of Impact Social Enterprise (NISE) Nexus Thailand Stock Exchange of Thailand- SR Center Thai Business Council for Sustainable Development (TBCSD) Thai Social Enterprise Office (TSEO) Thai Young Philanthropist Network (TYPN) Thaipat Institute Women Organizing for Change in Agriculture and Natural resources (WOCAN) | <ul style="list-style-type: none"> Center for Philanthropy and Civil Society ChangeFusion Lien Centre for Social Innovation National Geographic Society Thai Social Enterprise Office (TSEO) Thailand Development Research Institute (TDRI) Thaipat Institute Thammasat University |
| | | | | Legal & Implementation |
| | | | | <ul style="list-style-type: none"> TrustLaw Wiego |

Key Actors in the Social Economy in Thailand. Source: AVPN-Sattva analysis, BCG (2015), Lien Centre for Social Innovation (2014), Lien Centre for Social Innovation (2015), UBS-INSEAD (2011), press articles

Supply side

The following legal structure are used by investors include: (i) Private Limited Companies, (ii) Public Limited Companies, (ii) Branches, (iv) Partnerships (Unregistered Ordinary Partnerships, Registered Ordinary Partnerships, Limited Partnerships) and (v) Representative Offices. No registration procedure or paperwork exists for the establishment of the branches of foreign companies in Thailand. However, other registration requirements must be satisfied for tax purposes. The activities of a branch may or may not be regulated by the Foreign Business Act or other regulatory restrictions imposed by the regulatory agency regulating the type of business the branch intends to engage in (e.g. Ministry of Finance, Ministry of Public Health, etc.).²⁵

KEY SOCIAL INVESTORS AND INVESTMENT TRENDS

Government is key to building the social economy in Thailand

Compared to all other ASEAN member states, the SE sector in Thailand has enjoyed relatively strong government backing, guided by His Majesty King Bhumibol's Philosophy of Sufficiency Economy.²⁶ The current SE movement in Thailand began with the partnership between British Council and Change Fusion to develop the National Master Plan 2010-14, eventually resulting in the formation of the Thai Social Enterprise Office (TSEO) in 2010 with a funding of USD 3.2 million.²⁷ TSEO is tasked with organising



25. DLA Piper, 2015, Making Foreign Investment in Thailand, A Corporate Guide 2015

26. Oxford Business Group, 2016, Thailand applies sufficiency economy philosophy to promote sustainable development

27. The Guardian, 2012, Thai social enterprises are booming thanks to strong government support

workshops, providing consultations and formulating and implementing policies towards promoting the SE sector.²⁸

As of 2016, a draft legislation aimed at formalising SE registration and incentivising investment into SEs was pending finalisation.²⁹ Accordingly, TSEO has ceased operations since 31 March 2017 and might be restructured as part of the new law.³⁰

The Stock Exchange Thailand (SET) also plays an active role in furthering corporate social responsibility (CSR) through raising awareness and reporting mandates.

Charitable giving is marked by a distrust in SPOs

Thailand has a growing share of high net worth individuals (HNWIs) and a long history of family giving based on traditional Buddhist values, yet there is no data related to the size of giving.³¹ Thailand ranked

12th in the 2016 CAF World Giving Index in terms of the percentage of people donating to charities but a substantial portion of domestic philanthropy is made on an ad-hoc basis, primarily to temples and religious foundations.³² 60% of the total giving from family foundations goes towards grants for education, poverty alleviation, health, followed closely by disaster relief.³³

In 2011, 68% of HNWI philanthropic funding was given internally to family foundation programmes with only 32% going towards SPOs. This indicates a distrust towards Thai SPOs, a sentiment which has been vocalised in various surveys and studies.³⁴ William and Kathy Heinecke, the Chearavanont Family, Vikrom Kromadit, and Charoen Sirivadhanabhakdi are some of the prominent HNWIs/families adopting more informed philanthropic approaches.³⁵ One of the recent trends has been the formation of the Thai Young Philanthropists Network (TYPN).³⁶



TYPN - Bringing together young philanthropists

The Thai Young Philanthropists' Network (TYPN) brings together well-educated young professionals from affluent, well-connected families both inside and outside of Thailand. TYPN members support or run SEs, are engaged in mentoring and volunteerism in the social sector, and employ venture philanthropy approaches.

28. Interview with ChangeFusion Institute on 25 April 2017

29. AVPN, 2016, Building a social economy in Asia; Bangkok Post, 2015, Social enterprises are no proxy for welfare

30. Email correspondence with Thai Young Philanthropist Network (TYPN) on 16 May 2017

31. Interview with ChangeFusion Institute on 25 April 2017

32. UBS-INSEAD, 2011, Family Philanthropy in Asia

33. UBS-INSEAD, 2011, Family Philanthropy in Asia

34. Interview with ChangeFusion Institute on 25 April 2017

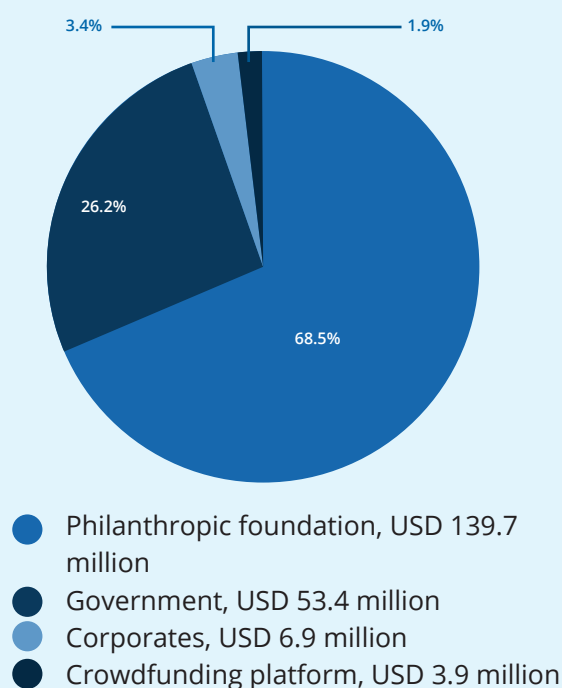
35. Forbes, 2010, Asia's Heroes of Philanthropy

36. UBS-INSEAD, 2011, Family Philanthropy in Asia

Global support for ecosystem building in Thailand

Global foundations such as the Rockefeller Foundation, Oxfam, and United Nations (UN) agencies such as the United Nations Children's Fund (UNICEF), the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the World Food Programme have a strong presence in Thailand. However, foreign funds channelled into the country have declined as a result of Thailand's economic success. Local grant-making foundations, the largest of which is Thai Health Promotion Foundation, have played an instrumental role in building the social economy by funding TSEO. Funders such as the Rockefeller Foundation go beyond funding to support capacity building of SPOs, innovative philanthropy funds, and platforms including the Impact Investment Exchange (IIX) Foundation and thaigiving.org to increase informed grant-making.

Grant Funding (2006 - present)



Total grant funding in Thailand amounting to 203 million USD between 2006-2016.
Source: FoundationCenter.org (2016) data from 2006 -2016.
Top 5 funders: Bill and Melinda Gates Foundation, United States Department of Health, Rockefeller Foundation, Ford Foundation, United States Department of Defense

Few impact investments due to lack of investable pipeline

Impact investing is carried out mainly by international players, notably Phitrust Asia, Omidyar, LGT Impact Ventures (LGT IV), and EcoAsia Southeast Asia Agriculture Fund.

The largest local impact investor is ChangeFusion Institute, whose investing arm, Change Ventures, offers grants, debt, and equity to early-stage SEs.³⁷ Agriculture, fintech, and SME financing have been high focus areas for impact investing so far.³⁸ Funding for early-stage SEs remains deficient. According to a survey conducted by ChangeFusion in 2013, 54% of the SE respondents were self-funded, while only 17% obtained bank loans and 37% reached breakeven.



BKIND: Thailand's first mutual fund investing in ESG

BKIND is a mutual fund set up by ChangeFusion, BBL Asset Management Co. Ltd. (BBLAM), and Khon Thai Foundation. BKIND invests in companies listed on the Stock Exchange of Thailand (SET), the Market for Alternative Investment (MAI) and other secondary markets of the SET that are rated highly on Environment, Social, Governance, and Anti-Corruption (ESGC) factors. The USD 300 million fund allocates 0.8% to invest in NGOs and SEs following a venture philanthropy approach. BKIND has been successful in channelling mainstream capital and market engagement into creating social impact as well as providing an avenue for the fund's investors to venture into Socially Responsible Investing (SRI).³⁹

37. ASEAN Briefing, 2017, Thailand in 2017 a changing investment landscape
38. Sattva analysis of deal flows in 2015-16.
39. AVPN, 2015, ChangeFusion - Mutually building the mutual fund

Crowdfunding on the rise

Crowdfunding is gathering momentum in Thailand with platforms offering primarily reward and donation options. In the social investment world, ChangeFusion Institute and Khon Thai Foundation have partnered to set up Taejai, a crowdfunding platform exclusively for SEs and non-profit projects. Give2Asia, another crowdfunding site dedicated to social impact, is also active in Thailand.⁴⁰ In May 2015, Thailand's Security and Exchange Commission (SEC) introduced equity crowdfunding regulations. Companies wishing to equity crowdfund must be incorporated under the Thai law. Further they cannot raise more than THB 20 million (USD 570,000) within the first 12 months, and not more than THB 40 million (USD 1.14 million) in total.⁴¹

Multinational corporations drive CSR best practices

His Majesty King Bhumibol's 'Philosophy of Sufficiency Economy' has been an important driver of CSR in Thailand, premised on business's commitment to maintaining long-term performance without compromising the interests of stakeholders including the environment, the society, and future generations. Responsible business practices have gained significant traction after the Asian Financial Crisis, inspiring

several forums and the establishment of platforms by SET, the Thaipat Institute, and the United Nations Global Compact (UNGC), among others, to bring companies together around these issues.

Leading multinational corporations (MNCs) such as Coca-Cola, DBS, and Kasikornbank are setting CSR standards by moving away from traditional areas of community engagement, volunteering, and ad hoc donations towards a more informed high-engagement approach. These companies are working closely with communities, initiating tri-sector collaborations, and are developing new approaches to building platforms and networks.⁴²

Local Thai CSR implementation remains basic

Since 2011, the Thai government has paid increasing attention to CSR. Related CSR laws include the 2001 sin tax on alcohol and tobacco companies, which were subject to a rate hike from 87% to 90% in 2012,⁴³ and the 2011 ESG reporting mandate by the SET.⁴⁴

CSR implementation in Thailand, however, remains basic, with best practices derived mainly from MNCs. With a recent influx of qualified professionals joining local companies to head CSR divisions, CSR programmes are likely to become more effective

Recent investments in Thailand (2015-2016)

| Social enterprise | Investor | Sector | Instrument | Amount | Details of work |
|-------------------|----------------------|----------|------------|------------------|--|
| Blisby | East Ventures | Skilling | Equity | USD 300,000 | Blisby is an online handicrafts marketplace that connects Thai craftspeople to the modern world. |
| SynMun Kong (SMK) | LeapFrog investments | Fintech | Equity | USD 57.5 million | SynMun Kong (SMK) is one of Thailand's largest insurers and is expanding into providing diversified insurance to the last mile and rural population. |
| WRP Energy | Superblock | Energy | Equity | USD 8.4 million | WRP Energy Co Ltd provides renewable energy project development services. |

Source: deadstreetasia.com, Foundation Center

40. Interview with ChangeFusion Institute on 25 April 2017

41. Crowdfundvibe, 2016, Will Thailand's equity crowdfunding regulations create investment?

42. Lien Centre for Social Innovation, 2013, Contextualising CSR in Asia: Corporate Social Responsibility in Asian economies

43. The Nation, 2012, Sin tax increases applauded

44. SET, 2017, Sustainable Stock Exchanges Initiative

and further aligned with company expertise in the future. AirAsia, for example, has been supporting CSR activities in alignment with their top travel destinations, thereby bringing value to the community and the company.⁴⁵

Two other local foundations have been recognised for their important roles in supporting the SE ecosystem:

- Epic Foundation bridges the gap between donors and social organisations with a focus on children and youth well-being globally.⁴⁶
- The Khon Thai Foundation enables social sector stakeholders to connect, collaborate, and share resources, including knowledge expertise, volunteers and funding, in order to create large scale collective impact.⁴⁷



Strategic CSR at the Siam Cement Group (SCG)




SCG is one of Thailand's oldest and most respected conglomerates. Following the 2004 tsunami, the company has actively established community revolving funds. SCG makes contributions to these funds in accordance with the "Community Potential Index," which is based on the communities' demonstrated abilities to manage the funds. The Group has moved from pure grant-making to working closely with communities and experts in co-designing and executing projects with a view to building up community capacity over time.

45. Lien Centre for Social Innovation, 2013, Contextualising CSR in Asia: Corporate Social Responsibility in Asian economies

46. AVPN, Epic Foundation

47. AVPN, Khon Thai Foundation

The social economy in Thailand is rapidly growing with government backing, a rich tradition of religious giving and strong support of enablers

| CATEGORY | FACTOR | RATING | DESCRIPTION |
|------------------|---|--------|---|
| SPOs | Legislative environment | | An SE can be registered either as a for-profit or non-profit legal entity, both of which are clearly governed under the Thai Civil and Commercial Code. |
| | Government support for SEs | | The government has put in place a range of support structures for SEs, particularly with the establishment of TSEO and the National Taskforce on Social Impact Investment in 2010. As of 2016, a draft legislation aimed at formalising SE registration and incentivising investment into SEs was pending finalisation. Accordingly, TSEO has ceased operations since 31 March 2017 and might be restructured as part of the new law. |
| | SEs across sectors | | SEs in Thailand are active in an array of sectors including Health, Education, Livelihoods, Food/Agriculture and Tourism, with a growing focus on leveraging technology. |
| | Presence, size, and maturity of SEs | | The TSEO's effort to foster SEs in Thailand led to the registration of 400 SEs by 2014, mainly in community development. ⁴⁸ A report by ChangeFusion in 2013 reveals that only three out of 30 SEs had revenues of over USD 1 million. ⁴⁹ |
| Investors | Philanthropic contributions | | Notwithstanding a fair presence of global and local foundations engaged in philanthropy, distrust in SPOs remains widespread, impeding contributions into SPOs. Thailand has a growing share of high net worth individuals (HNWIs) and a long history of family giving based on traditional Buddhist values. |
| | Presence of social investors | | Impact investor presence and overall investment volume are low compared to other ASEAN countries such as Philippines and Indonesia. ⁵⁰ |
| | Corporate sector | | Despite significant efforts notably by SET, the Thai Business Council for Sustainable Development (TBCSD) and Thaipat Institute to promote CSR through forums and workshops, local companies still demonstrate a limited understanding of the values and practices of CSR. ⁵¹ |
| Enablers | Incubators, accelerators, and capacity-builders | | A variety of enablers are active in the country, including: Incubators and accelerators - UnLtd, ChangeVentures, BanPu Champions for Change, AirAsia Foundation; Capacity builders - TYPN, ThaiFund, LGT IV; Competitions - ADB, IIX, and Thammasat University sponsored competitions such as the Global Social Venture Competition. |
| | Networks and platforms | | Examples of networks include TYPN and the Network of Impact Social Enterprise (NISE). CSR platforms have also been set up by SET, TBCSD and Thaipat Institute  |
| | Knowledge and research | | There has been a growing number of publications on the social economy by TSEO, ChangeFusion, Thailand Development Research Institute (TDRI) and the Lien Centre for Social Innovation. Thaipat Institute conducts courses on CSR and shared value.  |
| | Partnerships | | ChangeFusion has been the driving force in forging partnerships including B-KIND, TYPN, TSEO and NISE.  |
| | Impact measurement | | Impact measurement is in the discussion phase. |

48. Nippon Foundation, 2015, Asian Women Social Entrepreneurs Network Conference Report

49. ASEAN Briefing, 2017, Thailand in 2017: A Changing Investment Landscape

50. BCG, 2016, The art of sustainable giving, priorities to accelerate social enterprise growth in Indonesia

51. Lien Centre for Social Innovation, 2014, Contextualising CSR in Asia: Corporate Social Responsibility in Asian economies

OPPORTUNITIES

- Thailand planned a total investment of USD 113.2 million in digital infrastructure and innovations in 2015.⁵² Improvements in digital access can be leveraged to develop new technological innovations in various SDG areas.
- The country's 78% financial inclusion rate is ripe for fintech companies to create innovative financial products for social entrepreneurs.
- Significant government interest and support for the social economy provide avenues to bring together stakeholders such as corporations, social investors and SEs for furthering partnerships and investment.
- With crowdfunding gathering pace in the country, SPOs can approach online channels for early-stage funding.

CHALLENGES

- Surveys conducted among family foundations and corporations indicate a distrust of SPOs, which has led to philanthropic funding largely going towards family foundation activities.⁵³
- The lack of human capital remains a key challenge for SPOs. Social entrepreneurs often struggle to build strong teams.
- Global impact metrics are barely used due to low demand in the market and the high costs associated with implementation. Social investors generally do not expect entrepreneurs to produce comprehensive reports in view of the early stage of their enterprises.

RECOMMENDATIONS

The following recommendations emerge from secondary research and interviews:⁵⁴

- **Social investment:**
 - Given the atmosphere of distrust towards SPOs, exposure visits, conferences and meetings with senior management of foundations and corporates can alleviate the perception of SPOs as being risky investments and cascade social impact thinking among the investors.
 - There is a need to increase awareness around the SDG gaps, impact metrics and the work of SPOs among foundations and corporations.
 - With local companies still on a learning curve with regard to CSR, the government should play a more proactive role in promoting and supporting strategic CSR approaches and providing incentives for businesses to practice CSR.
 - Given that family foundations are thinly staffed, strategic philanthropy can be achieved by infusing professional rigour and expertise in non-profit management and execution.



52. Oxford Business Group, 2015, "Thailand's digital infrastructure is improving"
53. Interview with ChangeFusion Institute on 25 April 2017

54. Interviews with Women Organizing for Change in Agriculture and Natural Resource Management (WOCAN) in 29 March 2017 and ChangeFusion Institute in 25 April 2017

“As most social enterprises are new and small, capacity building of these organizations is crucial. Corporates consider investing in social enterprises risky and therefore, exposing corporates to success stories is likely to kindle their interest in the sector.”

— Sunit Shrestha, ChangeFusion Institute



● Enablers:

- Strengthening networks and platforms that bring together different kinds of investors can lead to knowledge sharing and development of strategic CSR and informed philanthropy.
- Given the early stage of SE growth, there is significant opportunity to partner with local networks such as ChangeFusion, TYPN, NISE, and Thaipat Institute, among others, to build up the capacity and business acumen among SPOs.
- More financial and non-financial resources including seed funding and mentorship should be channelled towards innovative SEs led by millennials, who are increasingly playing a key role in the country's social economy.
- Enablers should invest more in understanding the capacity needs of social entrepreneurs.
- There is a need to re-examine incubation quality – while there are multiple organisations, the success stories of incubators are limited.

“There is a lot of buzz in Thailand around social entrepreneurship. As NGOs are used to receiving traditional grants, we have a lot of learning to be acquired around social investing — how it helps us, measuring our impact, understanding social returns on investment, and so on. We also need more women-led SEs.”

— Nisha Onta, WOCAN

RECOMMENDED READING

- AVPN, 2016, Effective Social Incubation - First Insights from Asia
- BCG, 2015, The Art of Sustainable Giving
- Lien Centre for Social Innovation, 2013, Contextualising CSR in Asia: Corporate Social Responsibility in Asian economies

VIETNAM

The Socialist Republic of Vietnam began its transition from a centrally planned to a market economy in 1986. That year the Vietnamese government embarked on a series of economic and political reforms called the Doi Moi policy (doi moi translates, approximately, to “renovation”). The policy spurred growth and has lifted Vietnam off the list of the world’s poorest countries and up into the ranks of lower-middle income countries, in just 30 years.¹

The benefits of this economic growth have been distributed equitably to a large degree. Extreme poverty (signified by an income of under USD 1.90 per day) decreased from 58% in 1993 to 3.2% in 2014. The proportion of Vietnamese living below the poverty line has fallen to 13.5%.²

The GDP growth rate has hovered around 6% since the 1990s. The only Asian nation that has grown faster than Vietnam is its giant northern neighbour China. Vietnam’s young and educated workforce with a median age of 30 is giving a significant boost to its growth trajectory for the next decade.³

Vietnam’s biggest competitive advantage, however, is its proximity to southern China, to which it is well connected by air and sea. As wages rise in China, Vietnam has become the destination of choice for firms seeking lower-cost production hubs.⁴

Partly as a result of this strategy, Vietnam has moved from a primarily agrarian economy to one powered by manufacturing and services, which contributed 43.7% and 38.8%, respectively, to the country’s GDP in 2016.⁵

Foreign direct investment (FDI) inflows into Vietnam totalled USD 24.4 billion in 2016, up 9% from 2015.⁶ The largest foreign investor in Vietnam is South Korea, which accounted for 28.8% of FDI inflows in 2016.

1. CIA World Factbook, 2017, Vietnam Profile
2. World Bank, 2016, Vietnam Country Profile
3. Trading Economics, 2017, Vietnam
4. The Economist, 2016, Good afternoon, Vietnam
5. Index Mundi, 2016, Vietnam GDP
6. Hanoi Times, 2017, Vietnam licensed 2017 second billion dollar FDI project



FACT FILE

Population
2016

95.26 million

GDP (PPP)
2016

595.5 billion
World Rank 36

World Giving Index Rank
2016

64
(79 in 2015)

Poverty
2012

11.3%

Per capita GDP (PPP)
2016

USD 6,429
World Rank 125

- % giving money — 34
- % volunteering time — 19
- % helping a stranger — 55

COUNTRY CONTEXT FOR INVESTORS

| FACTORS | INDEX SCORE /RANK | DESCRIPTION |
|--------------------------------------|-----------------------|---|
| GDP Growth (2016) | 6.1% | The economy grew 6.1% in 2016, slower than the 6.7% growth rate of 2015. In 2017, GDP growth is projected to be between 6–6.5%. |
| Governance (2015) | -0.4 | Vietnam scored above 36% of all countries in the 2015 World Bank's Worldwide Governance Indicators. |
| Consumer Market (2015) | USD 323 billion | Between 2010–15, disposable income increased in real terms by 32% and, in turn, consumer spending by 33%. |
| Labour Force (2016) | 56 million | Vietnam's labour force increased by 1.2% from 2015 to 2016. Vietnam has an abundance of low-wage labour. ⁷ |
| Infrastructure (2016) | 3.9 | Vietnam ranked 79 among 138 countries in terms of infrastructure in the 2016 WEF's Global Competitiveness ranking. |
| Financial Access (2014) | 31% of the population | Financial access increased by 44% from 2011 to 2014. The government is looking into promoting financial inclusion, particularly for low-income and vulnerable populations in the country. ⁸ |
| Digital Access (2015) | 53% of the population | Internet penetration increased by 9% from 2014 to 2015. Vietnam has 131 mobile-cellular subscriptions per 100 inhabitants. |
| Ease of Doing Business (2016) | 82/190 | Vietnam's Ease of Doing Business rank improved from 91 in 2015 to 82 in 2016. Corruption, overlapping jurisdictions among government ministries and the evolving nature of regulatory regimes have been major challenges for companies operating in Vietnam. ⁹ |

Source: CIA, International Telecommunication Union (2015), OECD (2017), WEF (2016), World Bank (2016)

Note: Computation in this section is described in the Methodology.

■ Favourable
 ■ Moderately favourable
 ■ Unfavourable

7. Going Global, 2016, Employment Trends: Vietnam
8. IFC, 2016, Responsible Finance in Vietnam

9. Export.gov, 2016, Vietnam - Market Challenges

Global Competitiveness Index

60

(56 in 2015)

Source: CIA, Charities Aid Foundation (CAF, 2016), Credit Suisse (2016), IMF (2016), OECD (2016), World Bank (2017), World Economic Forum (WEF, 2016)

DEVELOPMENT GAPS IN VIETNAM

Raising agricultural productivity is central in Vietnam's rural poverty alleviation strategy. Infrastructure improvement, especially in healthcare and sanitation, labour productivity and environmental preservation are key issues that Vietnam is attempting to tackle in its development journey.

Accordingly, the government's 2011–2020 Socio-Economic Development Strategy (SEDS) is built around structural reform, environmental sustainability, social equity and emerging issues of macroeconomic stability. Specific areas of focus are: (i) promoting skill development, (ii) improving market institutions and (iii) infrastructure development.¹⁰










SDG DASHBOARD

Source: sdgindex.org (2016)



10. World Bank, 2017, Vietnam Overview

GOVERNMENT FOCUS ON DEVELOPMENT GAPS

| FOCUS AREA | SDG GOALS | GAP | GOVERNMENT FOCUS |
|--|---|---|--|
| Agriculture |    | Agriculture employed 44% of the total workforce and contributed 18.8% to the GDP in 2015, indicating low productivity. | The Ministry of Agriculture and Rural Development (MARD) and the Food and Agriculture Organisation (FAO) have implemented 400 programmes and projects in the areas of sustainable agricultural development, pesticide management, marketing, trade initiatives, forestry, fisheries, animal health and livestock production. ¹¹ |
| Climate action |  | Vietnam ranked 18 on the 2016 World Risk Report, placing it in the very high risk category. ¹² Floods have been one of the major causes for economic losses. ¹³ | The Vietnamese government and the World Bank signed a USD 560 million loan in 2016 to support urban development and climate resilience in the Mekong Delta through the use of analytics, monitoring and flood-control management. ¹⁴ |
| Energy access |  | Although 99% of the population have access to electricity, only 43.8% use non-solid sources of fuel. | Government Decision No. 432/QĐ-TTg dated 12 April 2012 stipulates national strategies for the achievement of sustainable development for 2011-2020, which include increasing the share of clean and renewable energy in total energy consumption. ¹⁵ |
| Healthcare |  | Although Vietnam spent the equivalent of 7.1% of its GDP on healthcare in 2014, higher than the East Asia and Pacific average of 6.9%, ¹⁶ it faces the challenges of outdated equipment and overcrowding in hospitals. ¹⁷ | The Master Plan on the development of Vietnam's healthcare system up to 2010 with a vision to 2020 aims to develop qualified medical human resources and postgraduate health personnel, and to maintain and develop existing central general hospitals. ¹⁸ |
| Skill development |  | The World Bank rated the quality of Vietnam's labour at 3.39/10, the second lowest among 12 rated Asian countries in 2014. ¹⁹ The country's labour productivity was one-fifth of that of Malaysia and two-fifths of that of Thailand in the same year. ²⁰ | The Vietnamese government has partnered with the Asian Development Bank (ADB) in 2012 to carry out training in English, IT, and other essential skills. ²¹ |
| Small and medium-sized enterprise (SME) growth |   | SMEs contributed 45% to the GDP and were responsible for 62% of jobs in 2015. ²² Only about 30% of SMEs, however, have access to secure bank loans. ²³ | The SME Development Fund lent USD 22.4 million to eligible SMEs with viable projects in 2016. A total of USD 67.2 million will be disbursed by 2019. ²⁴ |

Source: ILO, OECD, SDGIndex.org (2016), UNDP, UNEP, UNESCO, WHO, World Bank, wssinfo.org

11. FAO, 2011, Vietnam's and FAO – Achievements and success stories

12. United Nations University, 2016, World Risk Report 2016

13. Prevention Web, 2014, Vietnam Disaster & Risk Profile

14. World Bank Projects, 2016, Mekong Delta Integrated Climate Resilience and Sustainable Livelihoods Project

15. ADB, 2015, Vietnam Energy Sector Assessment, Strategy, and Road Map

16. World Bank, Health expenditure, total (% of GDP)

17. Export.gov, 2016, Vietnam - Healthcare

18. Global Law, 2006, Decision Approving The Master Plan On Development of Vietnam's Healthcare System

Up To 2010 With A Vision To 2020

19. ASEAN Today, 2016, Vietnam: Time to stop the delusion of cheap labour

20. Thanh Nien News, 2015, Vietnam's vocational schools criticised for churning out unskilled youth

21. ICEF Monitor, 2016, Growing demand for vocational training in Vietnam

22. Saigon Times, 2016, Ministry: SMEs contribute 45% of GDP

23. Oxford Business Group, 2016, Barriers to borrowing for Vietnam's SMEs

24. Saigon Times, 2016, Ministry: SMEs contribute 45% of GDP

THE SOCIAL INVESTMENT LANDSCAPE IN VIETNAM

In light of the operational restrictions imposed by the government, most non-profits are funded by individuals or international donors. Since 2010, the new status of Vietnam as a lower middle-income country and the threat of a potential decline in international development funds have encouraged Vietnamese social purpose organisations (SPOs) to adopt a revenue-oriented self-sustaining approach.²⁵

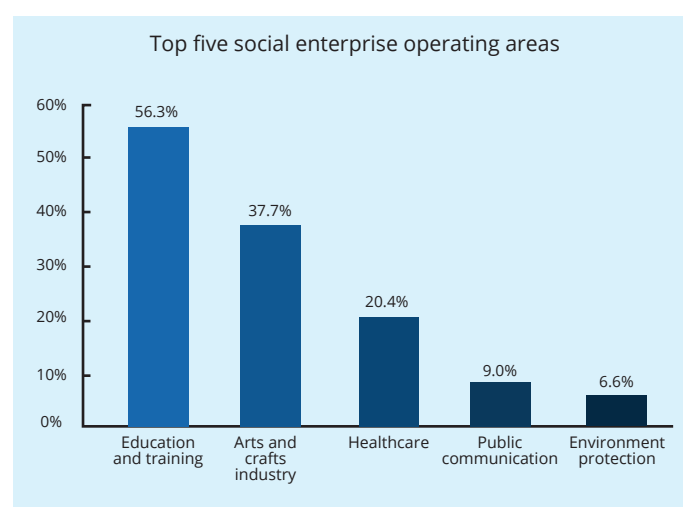
The social enterprise (SE) movement started in 2010 in Vietnam, with the support of the British Council, Irish Aid, the Centre for Social Initiatives Promotion (CSIP), and the Spark Center for Social Entrepreneurship Development. These and other intermediaries continue to support Vietnamese SPOs that aim to apply social entrepreneurial solutions through capacity building and networks.²⁶

As of 2016 there were around 1,000 SEs in Vietnam.²⁷ A 2016 ADB study estimated a total of 165,000 potential SEs across the country.²⁸ Many SEs may choose to remain informal due to the cumbersome registration process.²⁹

An SE may be registered under the following legal structures:

| STRUCTURE | PURPOSE |
|--------------------------------------|--|
| Partnership | A partnership must be formed by a minimum of two members. In addition to unlimited liability partners who shall be liable for all the company's obligations to the extent of all of their assets, there may be limited liability partners who shall only be liable for the company's debts to the extent of the amount of their capital contributions. |
| Limited liability company | A limited liability company may be formed by a maximum of 50 members. Members are liable for the company's debts and obligations up to the amount of their capital contributions. |
| Shareholding company | A shareholding company may be established by three or more shareholders who are liable for the company's debts and obligations to the extent of their capital contributions. |
| Non-profit organisation (NPO) | An NPO is defined as an organisation that mobilises and allocates capital for charitable, religious, educational, societal or similar purposes, and not for the purpose of profit. |
| Social/Charity fund | A social/charity fund is a fund organised and operated on a not-for-profit basis for the purpose of supporting and promoting the development of culture, education, healthcare, physical training, sports, science, charitable and humanitarian activities and community development. A fund must be founded by a minimum of 3 Vietnamese citizens although foreigners and foreign organisations may also contribute their assets. |

Along with the regular activities associated with enterprises, SEs are entitled to receive aid and assistance in the form of assets, finance, or technical



Source: Vietnam Social Enterprise Mapping project (2011)

Legislative environment

Demand side

Vietnam is the only Southeast Asian country to legally recognise SEs.³⁰ An SE in Vietnam is defined as an enterprise committed to addressing social or environmental issues for the public benefit. At least 51% of such SEs' total annual profit is to be re-invested in the implementation of registered social or environmental objectives.³¹ It could take around 18 months for organisations to register in Vietnam.³²

assistance, from domestic or foreign individuals, agencies, and organisations, and from foreign organisations registered to operate in Vietnam.³³

25. Lien Centre for Social Innovation, 2014, From Charity To Change: Social Investment in Selected Southeast Asian Countries

26. ICSEM, 2013, Social Enterprise in Vietnam

27. British Council, Central Institute for Economic Management (CIEM) and the National Economics University, 2016, Vietnam Social Enterprise Casebook

28. ADB, 2016, Are Social Enterprises the Inclusive Businesses of Tomorrow?

29. British Council, Central Institute for Economic Management (CIEM) and CSIP, 2012, Social Enterprise in Vietnam – Concept, Context and Policies

30. Ho Chi Minh City International University, 2014, The Law on Enterprises

31. Council on Foundations, 2016, Vietnam

32. Interview with LIN Centre for Community Development on 23 April 2017

33. Council on Foundations, 2016, Vietnam

DEMAND, SUPPLY AND SUPPORT ECOSYSTEM IN VIETNAM

| | DEMAND | | | |
|--------|--|---|--|---|
| | Charities/Non-profits | Social Enterprises | Businesses with Sustainability Focus | Businesses |
| SUPPLY | Foundation/ Trust/Family Office | C&A Foundation (Grant) | | |
| | | CARE International (Grant) | | |
| | | Hagar International (Grant) | | |
| | | Nippon Foundation (Grant) | | |
| | | Splash (Grant) | | |
| | Corporate | Hoa Phat Group (Grant, Debt) | | |
| | | Doji Gold & Gem Group (Grant) | | |
| | | Samsung (Grant) | | |
| | | Unilever (Grant) | | |
| | Impact Fund | Bamboo Finance (Equity, Debt) | | |
| | | Capria (Convertible Debt, Debt, Equity) | | |
| | | Evergreen Labs (Convertible Debt, Debt, Equity) | | |
| | | Insitor Fund SCA (Equity) | | |
| | | Intellectap (Equity) | | |
| | | Lotus Impact Fund (Equity) | | |
| | | Mekong Brahmaputra Clean Development Fund (Debt) | | |
| | | Omidyar Network (Grant, Equity) | | |
| | | Oxfam (Grant, Equity) | | |
| | | PhiTrust Asia (Convertible Debt, Equity, Debt) | | |
| | | SEAF Blue Waters Growth Fund (Debt, Equity) | | |
| | | Synergy Social Ventures Limited (Grant, Convertible Grant, Equity) | | |
| | | Uberis Capital (Equity) | | |
| | | World Bank's Vietnam Inclusive Innovation Project (Grant, Debt) | | |
| | Financial Institution | Asian Development Bank (Grant, Debt) | | |
| | | Vietnam Bank for Agriculture and Rural Development (Debt) | | |
| | | Bank for Investment and Development of Vietnam (Debt) | | |
| | Crowdfunding/ Fundraising Platform | Give2Asia (Grant) | | |
| | | | HuyDong, Tima (Debt) | |
| | | IG9, Comicola, Betado, FirstStep, FundStart (Grant) | | |
| | Support | Incubators, Accelerators & Capacity Builders | Networks & Platforms | Research & Knowledge |
| | | <ul style="list-style-type: none"> Centre for Social Initiatives Promotion (CSIP) CirCO Evergreen Labs Habataku Insitor LIN Center for Community Development Social Venture Competition Asia Spark Center for Social Entrepreneurship The Vietnam Foundation | <ul style="list-style-type: none"> AVPN British Council East Asia and China Region Center for Social Initiatives Promotion Family Business Network Asia LIN Center for Community Development Simply Giving Spark Center for Social Entrepreneurship Toniic WISE Philanthropy Advisors | <ul style="list-style-type: none"> Asia Foundation British Council East Asia and China Region Centre for Social Initiatives Promotion (CSIP) International Rice Research Institute (IRRI) LIN Center for Community Development Toniic WISE Philanthropy Advisors |
| | | | | <ul style="list-style-type: none"> Trust Law |

Key actors in the social economy in Vietnam with a few examples of investing across entities. Source: AVPN-Sattva analysis, VCCI (2013), British Council (2016), press articles.

Supply side

All investment activities in Vietnam are regulated by the Law on Enterprises and the Law on Investment passed by the National Assembly in 2005. Foreign investors are allowed to remit overseas their investment capital and profits, loan principal and interest, and other legal proceeds and assets.³⁴ Investors can set up limited liability companies, joint stock companies, partnerships and private enterprises.

The standard investment incentives offered to foreign and local investors include reduced corporate tax rates, tax-free periods or tax reductions during the startup phase, land rent reductions, and import duty exemptions.³⁵

KEY SOCIAL INVESTORS AND INVESTMENT TRENDS

Institutional giving is still in its nascency

Although Vietnam has a culture of religious giving, philanthropy has not grown beyond small acts of individual charity. Most Vietnamese high net worth individuals (HNWIs) possess first-generation wealth, unlike HNWIs in neighbouring Malaysia or Thailand who have had a legacy of wealth. Giving has hence always been a family tradition in the latter countries.

Institutional giving through private foundations or family offices has not permeated Vietnam's social economy. Apart from the legal difficulties of setting up foundations, the absence of financial advisors and intermediaries who can support informed decision-making and management in family offices has impaired institutional philanthropy in the country.³⁶ Intermediaries such as the LIN Center for Community Development are engaging with philanthropists to cultivate the culture of institutional giving.³⁷

Notable international foundations such as the Asia Foundation, Lien Foundation and Nippon Foundation focus on women's empowerment, agriculture, water and sanitation projects in Vietnam.

Homegrown impact funds are a unique feature

Apart from the presence of international impact investors including Insitor, Omidyar Network, Phitrust Asia, Uberis Capital, Capria and Oxfam's Inclusive Impact Investments, local impact funds have taken root in Vietnam, a factor that makes this ecosystem unique:

- Lotus Impact Fund works closely with entrepreneurs and seed-stage businesses to provide seed capital and incubation support. Support areas range from business-plan creation to developing reliable financial projections, designing and prototyping products or services, going to market, and fundraising.³⁸
- Dragon Capital's Mekong Brahmaputra Clean Development Fund (MBCDF) is the first sustainable investment fund to be launched in Vietnam. Its twin emphases are energy self-sufficiency and environmental welfare, both of which are critical to driving sustainable economic development in Vietnam. MBCDF seeks to invest an average of USD 5 million in renewable energy, energy efficiency, water conservation and waste recycling.³⁹
- Evergreen Labs develops and supports businesses that aim to impact the environmental and social challenges Vietnam are grappling with today. It focuses on the implementation, scaling and multiplication of existing positive impact solutions and business plans. Evergreen Labs has also a dedicated corporate social responsibility (CSR) consulting branch that offers full-service solutions including budgeting, impact and PR strategy, implementation and execution.

Limited understanding of CSR among corporates

More than 93% of Vietnam's 500,000 businesses are SMEs that have fewer than 30 staff and an average registered capital of USD 480,000. CSR is thus typically confined to a few big corporations and family businesses.⁴⁰ A 2013 survey of 500 Vietnamese companies confirms this pattern, finding that 96% of companies with 500 employees or more engaged

34. EY, 2015, Doing Business in Vietnam

35. EY, 2015, Doing Business in Vietnam

36. Lien Centre for Social Innovation, 2014, From Charity To Change: Social Investment In Selected Southeast Asian Countries

37. Interview with LIN Center for Community Development on 23 April 2017

38. Lotus Impact, What We Do

39. Dragon Capital, Mekong Brahmaputra Clean Development Fund

40. ASEANNews, 2016, Vietnam: CSR picking up slowly, but surely

Recent investments in Vietnam (2015–2016)

| Social enterprise | Investor | Sector | Instrument | Amount | Details of work |
|---|---|-----------|------------|------------------|--|
| Vietnam Administration for HIV/AIDS Control | United States Department of Health and Human Services | Health | Grant | USD 5.77 million | Vietnam Administration for HIV/AIDS Control sets the national strategy on HIV control. |
| Everest Education | Individual investors | Education | Equity | USD 1 million | Everest Education (E2) is an SE dedicated to personalising learning. It has developed a blended learning approach to replace the traditional “one size fits all” education format. |
| Bitexco Power | UOB Venture Management (UOBVM) and Japan's ORIX Corporation | Energy | Equity | USD 50 million | Bitexco Power operates hydro-electric power plants. |

Source: deadstreetasia.com, Foundation Center

in some form of giving, as opposed to 46% of small companies with 10 members or less.⁴¹ Corporate philanthropy in the form of cash donation was found to be the most popular CSR practice, followed by in-kind contributions and employee volunteering.⁴² Company size and awareness were the two key drivers of CSR in general, and corporate philanthropy in particular.⁴³

Dovetailing with the survey results, the Vietnam Business Council for Sustainable Development (VBCSD), a private sector-led organisation established by the Vietnam Chamber of Commerce and Industry (VCCI), observes that large corporates have a relatively good understanding of CSR while many SMEs still conflate CSR with donation or a branding strategy.⁴⁴ VBCSD's mission is to facilitate peer learning and diffuse good practices in business sustainability by conducting training workshops for corporates.⁴⁵ Intermediaries such as the LIN Center for Community Development believe that the discourse around CSR needs to move quickly to shared value in order for companies to find it meaningful and integrate it as part of their business models.⁴⁶

Increasing the effectiveness of SPOs

Vietnam's social economy is witnessing an increased number of players working to enhance the effectiveness of SPOs. The Centre for Social Initiatives Promotion (CSIP), supported by the British Council, focuses particularly on startup SEs and has been actively advocating for policies and measures to promote social entrepreneurship. The Spark Center for Social Entrepreneurship Development helps SEs to scale up through mobilising financial and non-financial resources and providing direct support in the creation of business solutions for impact.

Crowdfunding is emerging

Crowdfunding, the internet-based contemporary fundraising technique for startups, reached Vietnam around 2014. Notable peer-to-peer lending platforms are HuyDong (formerly known as LoanVi) and Tima. Others such as FirstStep, Betado, Comicola and FundStart aim to support innovative ideas in the creative industries.

41. VCCI, The Asia Foundation and Centre for Community Support and Development Studies, 2013, Corporate Philanthropy and Corporate Perceptions of Local NGOs in Vietnam

42. VCCI, The Asia Foundation and Centre for Community Support and Development Studies, 2013, Corporate Philanthropy and Corporate Perceptions of Local NGOs in Vietnam

43. VCCI, The Asia Foundation and Centre for Community Support and Development Studies, 2013, Corporate

Philanthropy and Corporate Perceptions of Local NGOs in Vietnam

44. ASEANNews, 2016, Vietnam: CSR picking up slowly, but surely

45. VBCSD, <http://en.vbcsvn/detail.asp?id=149>

46. ASEANNews, 2016, Vietnam: CSR picking up slowly, but surely



VINAMILK's "Fresh milk for rising Vietnam" Fund

As one of the leading corporations in community engagement, Vinamilk has initiated a wide array of CSR activities from flood relief, taking care of mothers of war heroes, assisting poor patients to awarding scholarships in partnership with the Ministry of Education and Training. In 2008, Vinamilk partnered with Save the Children to establish the "Fresh milk for rising Vietnam" Fund that provides milk to children affected by poverty, malnourishment and disabilities. This is a unique instance of collaborative giving involving a corporate in Vietnam.⁴⁷

The key challenge that Vietnam faces is the perception of failure and the fear of receiving criticism rather than support by the society, impairing the growth of crowdfunding.⁴⁸ In light of the significance of

personal relationships in the business culture, many are reluctant to invest in people they do not know personally.⁴⁹ The lack of a regulatory framework governing crowdfunding is another major hurdle.⁵⁰



360-degree support for SPOs

The LIN Center for Community Development runs six key programmes to strengthen non-profits in Vietnam:

1. Non-profit incubator workspaces with added support through trainings and consultations
2. Capacity building through workshops, training, peer meetings and an online forum
3. 'Narrow the Gap' community fund that brings donors together to invest in local non-profits with LIN providing capacity building and monitoring support
4. Skilled volunteer matching
5. Philanthropy advisory services through one-on-one consultations, information sharing, facilitated community engagement projects and customised support services
6. Network building by facilitating linkages among NPOs, donors and skilled volunteers⁵¹

47. The Asia Foundation and Vietnam Asia Pacific Economic Centre, 2011, Philanthropy in Vietnam

48. Fintechnews, 2016, Crowdfunding in Vietnam – An Overview

49. International Stock Exchange Group, 2016, Crowdfunding in Vietnam

50. Fintechnews, 2016, Crowdfunding in Vietnam – An Overview

51. Interview with LIN Center for Community Development on 23 April 2017

Vietnam's social economy is at early stages of growth, supported largely by international agencies and social investors.

| CATEGORY | FACTOR | RATING | DESCRIPTION |
|------------------|---|--------|--|
| SPOs | Legislative environment | | Legal procedures for setting up SPOs may take up to 18 months. ⁵² |
| | Government support | | While Vietnam is one of the few Asian countries that provides a legal definition of SEs, the government has not supported SEs in any substantive way. |
| | SEs across sectors | | SEs in Vietnam are active in a wide range of sectors including education, vocational training, healthcare, arts and crafts, community media, agriculture and environmental protection. ⁵³ |
| | Presence, size, and maturity of SEs | | There were around 1,000 SEs in Vietnam as of 2016. ⁵⁴ The majority are in the early stages, strapped for capital and in need of capacity building. ⁵⁵ |
| Investors | Philanthropic contributions | | The culture of institutional giving is yet to take root. |
| | Presence of social investors | | In addition to international impact investors increasingly growing their footprint in Vietnam, the country is one of the few emerging economies to have homegrown impact funds. |
| | Corporate sector | | The lack of data on corporate contributions to SEs underscores the limited and donation-based CSR approach. It also highlights the sizeable potential for informed and strategic CSR. |
| Enablers | Incubators, accelerators, and capacity-builders | | Notable incubators, accelerators and capacity builders supporting the SE ecosystem in Vietnam include: CSIP, Spark, Insitor Incubator, Young Entrepreneurs & Sustainability Education, Habataku Co. Ltd. |
| | Networks and platforms | | AVPN, British Council, the LIN Center for Community Development, VCCI and VCSDB are networks and platforms present in Vietnam. |
| | Knowledge and research | | British Council partnered with the Central Institute for Economic Management (CIEM), the National Economics University and CSIP to publish 2 landscape studies in 2012 and 2016. (PO) |
| | Partnerships | | Examples of partnerships include CSIP and Oxfam's Inclusive Impact Investments, the LIN Centre for Community Development with corporates, and Spark, Lotus Impact and Kiva. (PO) |



Partnership Opportunity

52. Interview with LIN Center for Community Development on 23 April 2017

53. British Council, Central Institute for Economic Management (CIEM) and the National Economics University, 2016, Vietnam Social Enterprise Casebook

54. British Council, Central Institute for Economic Management (CIEM) and the National Economics University,

2016, Vietnam Social Enterprise Casebook

55. Interview with Evergreen Labs on 27 April 2017



OPPORTUNITIES

- Vietnam has a young demographic profile with a median age of 30. The government has a strong focus on skill training for youth and improving market institutions. A combination of these factors offers opportunities to harness the passion of youth in building inclusive market-based solutions for development.
- The fast-growing mobile user base of 131 subscriptions per 100 inhabitants can be a key enabler to developing innovative solutions in education, health and skill development based on mobile technologies.
- The current proliferation of local SEs across sectors coupled with the establishment of homegrown impact funds can contribute strongly to the development of a vibrant social economy.
- The recent rise of crowdfunding holds potential for entrepreneurs and social causes to mobilise capital from an interested public.
- Central to Vietnam's ongoing administrative reforms is the transformation of the public

service sector towards self-management, self-responsibility and increased efficiency of capital. The SE model is therefore considered a suitable model for public service delivery.⁵⁶

CHALLENGES

- Vietnam is the only Southeast Asian country to legally recognise SEs. Yet, the government has not provided much support beyond establishing a legal definition.
- The lack of financial advisors and intermediaries who can support informed decision-making and management of family offices currently impedes institutional philanthropy.
- Between 2007 and 2013, Vietnam's HNW population grew 148% by number with total assets of USD 40 billion, making it the fastest growing wealth market among the world's top 100 economies.⁵⁷ Yet, little of that wealth has translated to philanthropy due to limited awareness as well as a lack of social investment options for individuals.
- The non-profit sector in Vietnam remains dependent on grant funding. This has resulted in a predominant focus on short- to mid-term project-based execution.
- There is increased willingness among Vietnamese entrepreneurs to explore creating social impact. Yet the current thinking is centered around basic themes such as job creation.⁵⁸

RECOMMENDATIONS

The following recommendations emerge from interviews and landscape analysis:

- **Development issues:**
 - With most SEs and investors focusing on education and skill development, other socio-environmental issues such as healthcare, environmental conservation, community development, and agriculture remain high-gap areas.

56. British Council, Central Institute for Economic Management (CIEM) and the National Economics University, 2016, Vietnam Social Enterprise Casebook

57. Ignites Asia, 2015, How to crack Asia's HNW markets: Vietnam

58. Interview with CSIP on 19 January 2017

● Social investment:

- Donors should allocate more grant capital to providing early-stage funding for SEs.
- Pooled-in fund initiatives such as the 'Narrow the Gap' community fund by the LIN Center for Community Development bring together people with a shared vision, by pooling available resources and by investing in and monitoring projects that address local needs. These funds offer a way for donors with varied capital to create larger impact.
- Corporates could partner with intermediaries in order to reach high-potential SPOs and provide long-term, more engaged support. This will enable CSR to move away from the current narrow focus on short-term projects.
- As the government is transitioning from providing to purchasing welfare services from non-state organisations,⁵⁹ social investors should explore partnership opportunities with ministries and government agencies in providing public services.

"The challenge in Vietnam is the lack of seed funding for early stage and small enterprises. While growth funding is available, many promising ideas and ventures never get the chance to reach a growth stage. Investors should commit small amounts of their overall allocation to seed funding and be willing to take small calculated risks (in the range of 5,000 to 100,000+ USD). They must also pay attention to nurturing entrepreneurs who have the potential to grow [their business into a medium-size enterprise]."

Jan Zellmann, Evergreen Labs

"Corporates can be oriented to focus not just on one theme but to support enterprises to cater to the needs of the local community. In such collaborations, setting out expectations by defining clear goals and KPIs can be fruitful for establishing a long-term partnership."

Dana Doan, LIN Center for Community Development

● Enablers:

- With the rise of ecosystem builders such as CSIP, Spark and the LIN Centre for Community Development, the twin goals of capacity building for SPOs and providing channels for individuals to contribute meaningfully to social impact can be elegantly achieved. In particular, the establishment of giving circles among HNWLs and corporates with management and capacity building carried out by intermediaries could provide investors ways to engage in more informed philanthropy.
- Non-profit organisations could benefit significantly from mentoring support on vision, impact measurement and capacity building towards better execution on the ground. In addition to incubation programmes, networks for peer interaction, knowledge and best practice sharing could promote better engagement between donors and non-profits.
- Given the newness of the SE ecosystem juxtaposed with a proliferation of SEs, significant opportunities exist in incubation and acceleration, early-stage funding, mentoring and support for investors and enablers across Asia. It is also important to strengthen collaboration and coordination between international and local investors and capacity builders whereby the former bring in investment expertise and the latter on-the-ground knowledge.

59. British Council, Central Institute for Economic Management (CIEM) and the National Economics University, 2016, Vietnam Social Enterprise Casebook

METHODOLOGY

The *Social Investment Landscape in Asia* seeks to provide insights into the top questions that we field regularly from AVPN members, from how to get started, which social causes to support, what kind of social impact activity is seen in the region to what gaps exist, and who they could collaborate with.

Each landscape study is vast: it describes the macro environments, key development challenges, the government's focus, the demand-supply-support ecosystem and the characteristics and trends evident among each class of investors (from grant funders to crowdfunding platforms). Producing the landscape of social investment in each region requires rigorous primary and secondary research. We faced a number of challenges such as data availability, standardisation of terms in the emerging social investment landscape and delineation of key concepts across regions while remaining true to each region's unique context. The availability of literature on the context and background of the different social economies needs special mention as we encountered certain regions that had substantial research and documentation while others had 1-2 reliable sources, rendering comparisons even more challenging.

To overcome these challenges we put together a framework to understand the key actors, influences and characteristics of each social economy and quantified it by giving each factor a score based on the framework. We also sought to provide actionable insights such as opportunities, challenges, partnerships and investment opportunities.

Quantitative data was obtained through databases from international agencies such as World Bank's Worldwide Governance Indicators, the World Economic Forum (WEF)'s Global Competitiveness Index, the WEF's Gender Gap Report, the Charities Aid Foundation (CAF)'s World Giving Index. We also used the Bertelsmann Stiftung – Sustainable Development Solutions Network (SDSN)'s Sustainable Development Goals (SDG) dashboards to understand the critical development gaps in each social economy. Mapping of SDG goals to government focus was then performed based on the Toniic's SDG Impact Theme Framework.¹

1. Toniic, 2017, Toniic SDG Impact Theme Framework

HOW WE ASSEMBLED THE INSIGHTS IN THIS BOOK

The research team used a combination of primary and secondary research methods and a particular process to assemble the information into useful insights.

- We sketched the landscapes by compiling relevant standard indicators, indices and rankings from secondary sources.
- We plotted the key actors and activities from secondary literature and interviews with experts in the different social economies.
- We populated the legislative environment surrounding the social economy through the information obtained in the literature review and interviews.
- We expanded on this understanding by interviewing key actors, ranging from grant-making foundations to impact investors, enablers, and social entrepreneurs, to understand their investment/implementation philosophies, challenges and barriers they face, and key recommendations they have for anyone looking to invest in or support the social economy or specific causes therein.
- We corroborated the information we received from the interviews with the secondary research in order to analyse it for common issues, contexts and evolutions which have led to certain trends.
- We computed the ratings for the 14 social economies based on secondary research, data available and insights from interviews.
- Once we had completed the landscapes, we revisited the social economy ratings to perform a relative regional comparison and adjust the ratings accordingly.
- We also vetted the completed landscape with experts as listed in the Acknowledgments.
- Overall, we aimed to bring the data and analysis together to provide practical recommendations for social investors and enablers across the spectrum.

Throughout each profile, we have attempted to map out recent developments, interesting partnerships and key initiatives that could form a basis for future collaborations. We have also provided snippets from major programmes or organisations, along with references and recommended reading that you can look up to learn more.

DEFINITIONS

Social Purpose Organisations, Social Enterprises and Non-Profits

For the purpose of this research, we cut through the various classifications of social purpose organisations and use three categories:

- Social purpose organisation (SPO) – this is the umbrella

term for non-profits, non-governmental and not-for-profit organisations

- Non-profit – this is the term we use to describe non-governmental, not-for-profit organisations and charities
- Social enterprise (SE) – this is the term we use to describe organisations with a social mission which are aspiring to or are able to generate revenues out of their products and services.

Demand, supply, and support ecosystem for SEs

In this diagram we capture resource providers, SPOs and the support environment. Each category is defined as follows:

| DEMAND | |
|--|--|
| Charities/non-profits | See above for non-profit |
| Social enterprises | See above for SE |
| Businesses with a sustainability focus | Businesses that have a positive impact on the global or local environment, society and economy |
| Businesses | Mainstream businesses |
| SUPPLY | |
| Foundation/Trust | Non-profit organisation that funds social causes |
| Family Office | Wealth management advisory or establishment for high net worth and ultra-high net worth individuals |
| Corporate | Mainstream company that invests directly in social impact through CSR or through establishing a corporate foundation |
| Impact Fund | A fund that makes investments made into SEs and businesses with a sustainability focus, with the intention to generate social and environmental impact alongside a financial return |
| Financial Institution | A financial intermediary or a development finance institution that provides credit to organisations and individuals |
| Crowdfunding/Fundraising Platform | A website that allows entrepreneurs and/or SPOs to raise funds from investors, contributors and donors. Crowdfunding platforms typically offer one or more of the four options — donation-based, reward-based, debt-based, and equity-based crowdfunding |
| SUPPORT | |
| Incubators, Accelerators and Capacity Builders | Organisations that provide facilities, expertise and other forms of non-monetary support to nurture young enterprises and entrepreneurs |
| Networks and Platforms | Online and offline organisations that bring diverse stakeholders together |
| Research and Knowledge | Universities, academies, research institutes and organisations that publish on the social economy |
| Legal and Implementation | Organisations that support the social ecosystem with legal, advisory and implementation support services |

RATING AND MAPPING METHODOLOGIES

Country/Regional context for investors

This introductory overview has been compiled based on the questions that influence investments and have been posed to us repeatedly by interested investors. The data has been collated from organisations such as World Bank, WEF and

the International Communications Union. The index score/rank is the original data point while the description provides further insights from additional sources where available. In addition to this, the index score/rank column is colour coded. All data is relative to all other economies and is colour coded similar to the SDG dashboards to highlight opportunities, areas for growth and well-established areas. The colour code is selected based on three percentiles as below:

COLOUR CODES USED FOR INDEX SCORE / RANK

| | |
|--|--|
| Data point < 25th percentile | |
| 25th percentile ≤ Data point ≤ 75th percentile | |
| Data point > 75th percentile | |

■ Favourable
 ■ Moderately favourable
 ■ Unfavourable

| Factor | Year | Source and Data | Definition | Methodology |
|-----------------|------|--|---|---|
| GDP growth rate | 2016 | CIA-The World Fact-book | This entry provides year-on-year GDP growth rate adjusted for inflation and expressed as a percent. | The colour code is based on the 2016 GDP growth rate. |
| Governance | 2015 | The World Bank-Worldwide Governance Indicators | The Worldwide Governance Indicators report aggregate and individual governance indicators for 6 dimensions of governance: <ol style="list-style-type: none"> 1. Voice and Accountability 2. Political Stability and Absence of Violence 3. Government Effectiveness 4. Regulatory Quality 5. Rule of Law 6. Control of Corruption | The governance value is the average of values of the 6 dimensions. The colour code is based on countries' overall governance value. |
| Consumer market | 2015 | The World Bank-Household final consumption expenditure, PPP (current international \$) | Household final consumption expenditure (formerly private consumption) is the market value of all goods and services, including durable products purchased by households. It includes the expenditures of non-profit institutions serving households. Data are converted to current international dollars using purchasing power parity rates based on the 2011 ICP round. | The colour code is based on countries' household consumption for 2015. |

| Factor | Year | Source and Data | Definition | Methodology |
|------------------------|------|---|--|---|
| Labour force | 2016 | The World Bank-Labour force, total | Labour force comprises people aged 15 and above who supply labour for the production of goods and services during a specified period. It includes people who are currently employed and people who are unemployed but seeking work as well as first-time job-seekers. | The colour code is based on countries' labour force for 2016. |
| Infrastructure | 2016 | The Global Competitiveness Report 2016-2017 | <p>Infrastructure is defined as follows:</p> <p>A. Transport infrastructure (50%)</p> <ol style="list-style-type: none"> 1. Quality of overall infrastructure 2. Quality of roads 3. Quality of railroad infrastructure 4. Quality of port infrastructure 5. Quality of air transport infrastructure 6. Available airline seat kilometres <p>B. Electricity and telephony infrastructure (50%)</p> <ol style="list-style-type: none"> 1. Quality of electricity supply 2. Mobile telephone subscriptions 3. Fixed telephone lines | The colour code is based on countries' infrastructure score for 2016. |
| Financial access | 2014 | The World Bank-Account at a financial institution (% age 15+) | Access to finance is the percentage of the adult population that has access to formal banking institutions. | The colour code is based on countries' access to finance in 2014. |
| Digital access | 2015 | International Telecommunication Union (ITU) | Digital access is defined as the percentage of individuals using the internet | The colour code is based on countries' digital access in 2015. |
| Ease of doing business | 2016 | The World Bank-Ease of Doing Business Rankings | Ease of Doing Business ranks economies from 1 to 190, with first place being the best. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operations. The index averages the economy's percentile rankings on 10 topics covered in the World Bank's Doing Business. | The colour code is based on countries' ranks for 2016. |



SDG dashboard

An SDG dashboard is featured to highlight key development challenges. Taiwan and Hong Kong do not have SDG dashboards published.

The SDG dashboards are extracted from the 2016 report² published by Bertelsmann Foundation and Sustainable Development Solutions Network (SDSN), and represent the status of the 17 SDGs in 149 countries by colour.

The SDGs are highlighted in green, yellow, or red. Green indicates that an SDG threshold has been met, yellow indicates significant challenges remain and red means that the country is far from achieving the SDG.

Four quantitative thresholds are determined to designate colours: best and worst scores, the threshold for SDG achievement, and the threshold between a red and yellow colour rating. For example, if a country receives a red rating for one of the indicators of SDG 3 and a yellow rating for all of the other indicators for SDG 3, the overall colour rating for that country for SDG 3 is assigned “red.” The minimum colour rating draws attention to the most urgent challenges facing each country for each SDG.

Government focus

To map the government focus areas to SDGs, we referenced Tonic’s SDG Impact Theme Framework³ to present government focus in each of the SDG goals. The goal of the framework is to understand government focus, allow social investors to align their investments with the SDGs and thereby find greater alignment and synergy in global

investment opportunities. To determine the government focus, we analysed the latest government budgets (2016-17 in most countries) and policy strategies to determine national priorities for inclusive development. We examined SDG sub-indicators in order to pick out the worst-performing indicators, gaps in these areas and initiatives that are put in place to solve the problems.

Demand, supply, and support ecosystem for SEs



















The organisations in this diagram have been selected based on secondary research. Next to each organisation in the grid, we also highlighted the financing instruments that each uses. The completed diagram was vetted by experts.



















Social economy ratings













The social economy ratings indicate the current status (stage of evolution) of social investors, SPOs and support system. A simple 1-4 scoring method has been used to uniformly quantify the status so that relative comparisons can be made.

Each factor has a total of 4 scenarios depicted by the ‘Harvey Ball’ visualisation method. These scenarios have been put together through a process of secondary research and expertise based on Sattva and AVPN’s advisory experience in the sector. The entire framework has been vetted with experts, investors and advisors who have been acknowledged in the Acknowledgments section. These scenarios have been delineated keeping the typical progression of a particular factor in mind. Harvey balls are used to reduce ambiguity and conflicting data interpretations given limited data availability on each factor of the social economy.

2. Bertelsmann Foundation and Sustainable Development Solutions Network (SDSN), 2016, SDG Index
3. Tonic, 2017, Tonic SDG Impact Theme Framework

| ENTITY | FACTOR | DESCRIPTION | RATING |
|-----------|-----------------------------|--|---|
| SPOs | Legislative environment | The process of setting up and options available to register SPOs |  Restrictive legal environment to set up SPOs. |
| | | |  Neutral environment, no or basic tax benefits. |
| | | |  Friendly environment with multiple structures and some tax benefits. |
| | | |  Enabling environment with a separate structure for SEs. |
| | Government support for SEs | Government recognition and support for SEs in the form of policies, incentives, incubation and acceleration services, funding and platforms. |  No recognition or support. |
| | | |  Basic recognition of SEs. |
| | | |  Government recognises SEs and offers incentives (credit guarantee schemes/tax benefits/subsidies etc.) |
| | | |  Strong support for SEs in the form of policies, incentives, incubation and acceleration services, funding and platforms. |
| | SEs across sectors | Coverage of SEs across various sectors such as education, health, agriculture, micro-finance, women empowerment, poverty etc. |  SEs tackling employment/basic welfare. |
| | | |  Employment/basic welfare to education, healthcare, products and services for the bottom of the pyramid markets. |
| | | |  The above plus a focus on environmental conservation, elderly care, sustainable living, and other socio-environmental issues. |
| | | |  SEs across social and environmental issues in urban and rural contexts. |
| | Size and maturity of SEs | Number of registered SEs and stage of growth |  Majority of SEs in seed stage. |
| | | |  Majority of SEs in early to growth stage, with on-the-ground traction through pilots and some revenue. |
| | | |  Some SEs in breakeven/profitable phase, with evidence of raising equity investments. |
| | | |  Some SEs in breakeven/profitable phase, with active deal flow and evidence of a diversity of financing instruments used. |
| Investors | Philanthropic contributions | Focus and approach of contribution from HNWIs and foundations |  Charitable contributions/religious contributions. |
| | | |  Evidence of sustained, well-managed charitable giving. |

| ENTITY | FACTOR | DESCRIPTION | RATING |
|-----------|--|---|---|
| Investors | Corporate sector | Involvement of the corporate sector in the social impact space |  Evidence of informed giving, sustained giving to multiple causes or venture philanthropy approach. |
| | | |  The above plus social investment through equity, responsible investing etc. |
| | | |  Compliance-based CSR/evidence of charitable donations by corporates. |
| | | |  Compliance-based CSR focusing on multiple social and environmental causes. |
| | | |  Evidence of strategic and sustainable CSR programmes, support for SEs, evidence of sustainability reporting. |
| | | |  The above plus ecosystem development support, ESG compliance and shared value approach. |
| | Presence of social investors | Presence of classified social investors and their activities in the region |  Presence of social investing approach, with no clear classification of investors. |
| | | |  Presence of international players, with deal flow of 5-10 deals in the last year or evidence of seed funding. |
| | | |  International and local players with presence of grant, debt, convertible debt and equity investments. |
| | | |  The above along with the presence of innovative funds and partnerships. |
| Enablers | Incubators, accelerators & capacity builders | Organisations promoting social enterprise growth through seed funding, mentorship, co-working and capacity building programmes. |  One or two incubators, accelerators and/or capacity builders offering cost subsidisation, infrastructure facilities and co-working options. |
| | | |  Multiple enablers providing mentorship and access to expertise in addition to facilities and co-working options. |
| | | |  Full-fledged exclusive non-profit and social incubators/accelerators with sustained access to expertise, seed funding and access to networks. |
| | | |  The above plus ecosystem support enabled through partnerships. |
| | Networks & platforms | Networks, platforms, conferences and sessions bringing investors and entrepreneurs together |  One or two platforms. |
| | | |  Evidence of networks, platforms and/or conferences running for a few years. |
| | | |  The above plus cross-sectoral networks and platforms. |
| | | |  Networks and platforms across sectors and presence of giving circles or angel investment networks. |

| ENTITY | FACTOR | DESCRIPTION | RATING |
|----------|---|---|--|
| Enablers | Knowledge & research | Data, research, publications, and institutes focusing on building knowledge on the social economy |  Landscape reports published. |
| | | |  Reports published covering key actors and trends; some quantitative data available on key actors and investments. |
| | | |  Knowledge and research institutions with a diverse pool of practitioners and academics publishing knowledge, dedicated courses on social entrepreneurship. |
| | | |  Presence of knowledge platforms and communities of practice. |
| | Partnerships | Collaborations among different stakeholders |  Evidence of partnerships between 2 entities. |
| | | |  Presence of multi-stakeholder partnerships. |
| | | |  The above plus partnerships between stakeholders and government. |
| | | |  Co-investing funds, cross-sectoral partnerships with a mid- to long-term outlook. |
| | Impact Measurement (subject to data availability) | Social impact metrics |  Basic programme parameters and KPIs defined and measured. |
| | | |  Evidence of third-party assessments. |
| | | |  Evidence of SROI/GIIRS/Balanced scorecard and other standardised frameworks in use. |
| | | |  Customised advanced approaches being applied and measured. |

The framework has been derived from BCG's SE maturity framework,⁴ Monitor Institute's definitions,⁵ Acumen's early-stage impact investing,⁶ Toniic's reports,⁷ experiences from Sattva's advisory practice, and AVPN's report.⁸

4. BCG, 2015, The Art of Sustainable Giving
5. Monitor, 2009, Investing for Social And Environmental Impact
6. Acumen, 2015, Early-Stage Impact Investing
7. Toniic, 2017, Impact Theme Framework
8. AVPN, 2016, A Guide To Effective Impact Assessment

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| CIA World Factbook | https://www.cia.gov/library/publications/the-world-factbook/ |
| Credit Suisse Net National Wealth (2016) | https://www.credit-suisse.com/media/assets/corporate/docs/about.../millionaires.xlsx |
| IMF World Economic Outlook Database (2016 numbers) | https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/download.aspx |
| OECD rankings (2016) | https://data.oecd.org/ |
| World Economic Forum Global Competitiveness Index (2016) | https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1 |

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ABOUT THE ORGANISATIONS



ABOUT AVPN

AVPN is a unique funders' network based in Singapore committed to building a vibrant and high impact philanthropy and social investment community across Asia. As an advocate, capacity builder, and platform that cuts across private, public and social sectors, AVPN embraces all types of engagement to improve the effectiveness of members across the Asia Pacific region.

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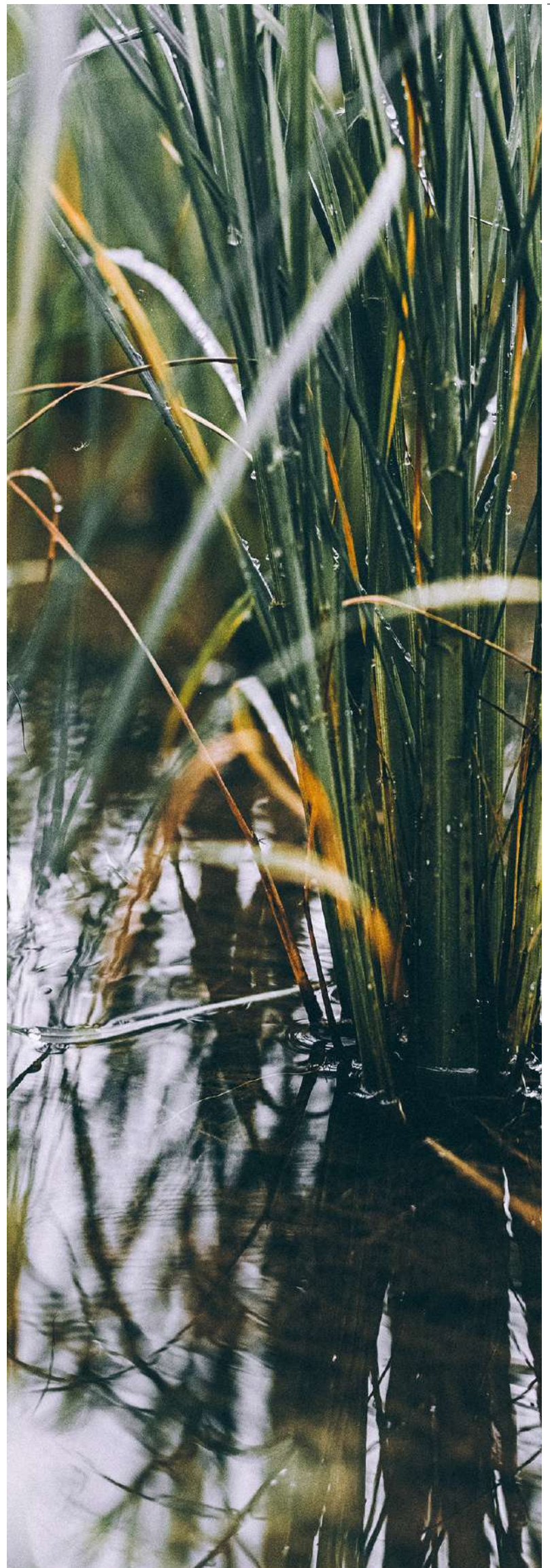
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AVPN is a unique Pan-Asian funders' network catalysing the movement toward a more strategic and collaborative approach to philanthropy and social investment to address key social challenges facing Asia today and in the future.

Email address:

knowledge@avpn.asia

Address:

3 Shenton Way, Shenton House #22-08,
Singapore 068805

