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From charity to change: Social investment in selected Southeast Asian countries

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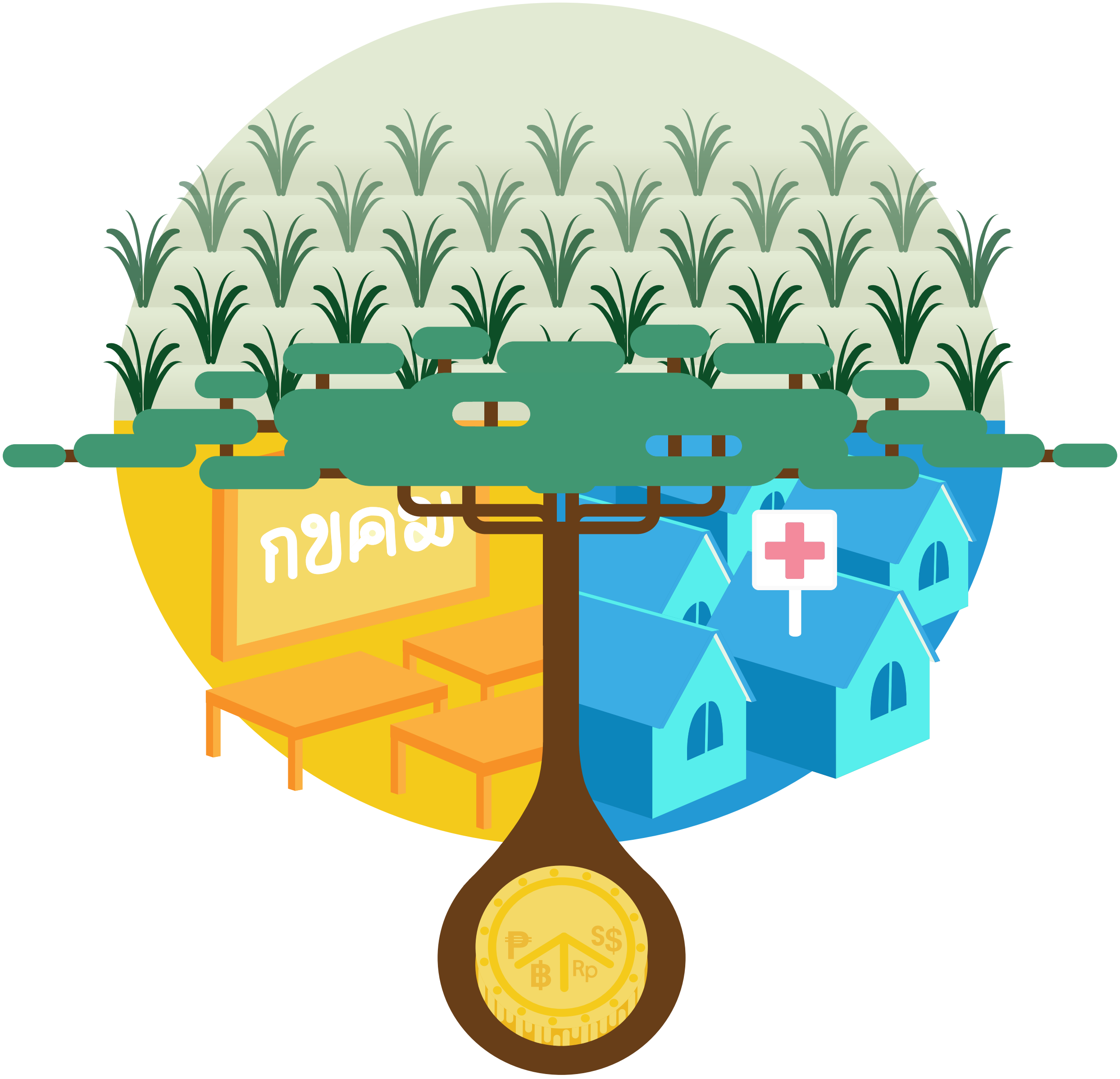
Lien Centre for Social Innovation
Social Insight Research Series



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Lien Centre for Social Innovation
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Definitions

enterprise philanthropy. Philanthropic funding that aims to establish models for inclusive business into which return-seeking capital can be invested to drive scale.
(Source: Monitor Institute)

impact investing. Impact investments are investments made into companies, organisations, and funds with the intention to generate social and environmental impact alongside a financial return.
(Source: Global Impact Investing Network)

inclusive businesses. Private sector investments specifically targeting [the] low income market with the double purpose of making reasonable profit (i.e. an internal rate of return of 8%-20%) and creating tangible development impact through the provision of sustainable decent jobs and better income opportunities, as well as services that matter for the poor and low income people's (USD 3) lives.
(Source: Asian Development Bank)

nonprofit organisation (NPO). An organisation established for social or charitable purposes that does not seek profits as its operating objective. Though the nonprofit may generate revenues, these are reinvested back into the organisation to achieve its social purposes. In some countries, the term NGO (non-governmental organisation) is more commonly used, and emphasises the non-governmental nature of the organisation. While not identical, the two types of organisations have a high degree of overlap and are frequently used interchangeably in Southeast Asia.

social enterprise (SE). An organisation that applies business strategies for social purposes, with a high priority being placed on social impact rather than financial return. We note that there are stricter definitions of social enterprise that require profits to be redeployed for social purposes, but have retained a more inclusive definition for this paper.

social entrepreneurs. Individuals with innovative solutions to society's most pressing social problems.
(Source: Ashoka – Innovators for the Public)

social purpose organisation (SPO). An organisation that seeks to achieve social purpose. The term covers charities, nonprofit organisations and social enterprises.

strategic philanthropy. A form of philanthropy that is result or outcome oriented. Strategic philanthropy usually involves setting clear goals, using evidence-based strategies to achieve them, and the measurement of progress and results.
(Source: Strategic Philanthropy: Paul Brest blog from the Huffington Post 14/12/2008)

venture philanthropy. A high engagement approach to grantmaking and social investment across a range of SPOs. Venture philanthropy works to build stronger SPOs by providing them with both financial and non-financial support in order to increase their social impact.
(Source: AVPN)

EXECUTIVE SUMMARY

INTRODUCTION

We believe that *charity* is good and can do good. In Southeast Asia, the custom of "giving" is widespread, embedded in diverse religious, historical and cultural traditions. However, one of the starting points for this paper is the observation that traditional charity, as it is currently practised in Southeast Asia, is unlikely to lead to the type of changes needed to address large-scale, persistent and emerging social problems in the countries of the region.

We are not implying that social investment is a prerequisite, nor are we saying it is sufficient on its own, for change. However, we do think that evolving practices of social investment have the potential of stimulating and supporting sustainable change in a way that traditional charity cannot.

So what is *social investing?* Our original aim was to look at impact investment and venture philanthropy in Southeast Asia and study how these global movements were evolving in the region. In particular, we wanted to see what potential roles they could play in encouraging greater philanthropic engagement and overall support for the social sector. But as we started our interviews, it became increasingly clear that limiting our scope to strict definitions of impact investing and venture philanthropy as they have been applied elsewhere would not adequately cover or accurately convey some of the developments in the region.

Social investment is a term that has been used in several contexts with varying meanings. In this paper, we are using it as a broad umbrella term to cover the multitude of new actors, instruments and methodologies that have evolved over the last few years to finance and otherwise support the social sector. A seminal study of Asian philanthropy in 2013 used the term "entrepreneurial social finance"[1] to refer to a similar body of developments among private sources of social funding. For the purposes of this paper, we prefer the term "social investing" encompassing the significant role of government in certain countries in the region, the engagement of business, as both philanthropists and agents, and the more entrepreneurial manifestations of strategic philanthropy. While many uses of the term restrict social investing to acts that generate both financial and social return, we would include investing which requires only clear evidence of social return. The intention is to be inclusive, rather than authoritative, in approach.

In addition, we believe that the term "social investing" better embraces the possibility for collaboration across fields as well as, ultimately, the collective action[2] across the three sectors of society that will be needed to address the more complex problems of Southeast Asia.

Under our construct, the common characteristics of different social investing approaches (including but not limited to venture philanthropy, impact investing and practices of strategic philanthropy, involving active engagement with beneficiaries) would be

- an investment approach to making decisions, using available information, data and analysis to create deep understanding of the issues to be addressed, and monitoring and evaluating progress of interventions undertaken;
- disbursement of money with intent of a discernable or measurable social outcome, which may or may not be accompanied by financial return;
- forms of engagement other than financial with the investees, including mentoring, capacity building, providing access to networks and other resources; and
- a multi-year perspective on investments.

Why *from charity to change?* Charity is most frequently defined as giving to those in need. It is an act of generosity and altruism usually seeking no other outcome than to help. Giving without expectation of return has been a valued action in our societies. Social investing, on the other hand, explicitly expects a return, or discernable outcome, if only social in nature. In its ideal form, it would seek to understand why a particular need exists and to invest in approaches that would address the cause of that need. In other terms, traditional charity alleviates symptoms while social investing would seek to diagnose, and fund paths to a possible cure for the underlying illness. Traditional charity will continue to have an important part to play in society and is an integral part of the cultures in Southeast Asia. However, social investing, by demanding accountability for scarce resources, prioritising evidence-based actions, and providing a variety of instruments and methods to achieve different ends, holds better possibilities for addressing the endemic problems of society and leading to sustained change.

Despite the slight shift in scope and variation in terminology, the key objectives of the study remain the same: to understand the existing and emerging landscape for social investing in selected countries in Southeast Asia, and to identify obstacles or gaps that might constrain further development of the field. The study focuses specifically on Indonesia, the Philippines, Singapore and Thailand as countries showing significant activity and representative diversity in approaches to the field of social investing. We also present some interesting developments in the markets of Vietnam and Cambodia.

Approach & Methodology

The primary method of research was interviews conducted with over 100 interviewees: individuals and representatives of institutional actors in the emerging social investment field including investors and philanthropists, leading social purpose organisation (SPO) founders and leaders, intermediaries, ecosystem supporters, and directly relevant government agencies. While a baseline list of questions was used as a framework, the wide diversity of interviewees and contexts led to a high degree of customisation of interviews.

To enable a better understanding of the background in which social investment in the region has evolved, a review was also conducted of existing works on philanthropy and the nonprofit sector in the selected countries. While many of the individual country studies on philanthropy were conducted over a decade ago (some in the early 2000s), a resurgence of interest in Asian philanthropy has resulted in the publication over the last three years of three regional studies that were particularly helpful. Prapti Upadhyay Anand's *Levers for Change: Philanthropy in select South East Asian countries* (also published by the Lien Centre for Social Innovation),[3] Professor Rob John's series for the Asian Centre For Entrepreneurship and Philanthropy at National University of Singapore,[4] and the *UBS-INSEAD Study on Family Philanthropy in Asia*[5] provided valuable context and insights which informed this paper.

For the last two centuries, a large part of the history of Southeast Asia has been about the societies of this region adapting knowledge and practices from other parts of the world to local culture and use. A similar process is likely to take place in the field of social investment. In recognition of this, the chapter, "Global Perspectives" looks at relevant developments in other parts of the world through a combination of secondary research and interviews with a small number of experts globally.

As our research progressed, it became increasingly clear that types of resources other than financial were needed for social investment to effectively address the issues of the region. We found the complete capital framework, introduced by Antony Bugg-Levine at the US-based Nonprofit Finance Fund (NFF),[6] to be helpful in ordering our findings. The NFF uses the complete capital approach to design and organise stakeholder approaches to defined social problems; we found it useful, with some modifications, as an analytical lens to evaluate the landscape for social investing in each country. Each country chapter concludes with a complete capital profile, which we use to frame our recommendations.

The Complete Capital Framework

NFF identifies four types of capital, financial, intellectual, human and social, as necessary to address complex social challenges. Their definitions were outlined by Antony Bugg-Levine in late 2013; we rely heavily on the definitions as articulated by Bugg-Levine, but have slightly modified the definitions of financial capital and intellectual capital to specifically include social enterprises, and to accommodate the needs of a social investment market that is less mature than that of the US.

We have expanded financial capital to include funding for ecosystem development, including intermediaries and other supporting infrastructure. Likewise, intellectual capital has been expanded to include the need for evidence-backed research on social issues which would help identify effective interventions and be a potential catalyst for collaborative action. Our definitions (modifications italicised) are as listed below:

- **Financial capital** that (i) pays for expanded project delivery and builds healthy and sustainable organisations for NPOs (ii) *provides start-up and growth capital for social enterprises* and (iii) *provides funding for ecosystem development and support.*
- **Intellectual capital** that (i) draws on rapidly expanding evidence about what works and what does not at the business model and systems level and (ii) *researches and analyses social issues and provides guidelines for effective interventions.*
- **Human capital** that translates bold ideas into action. More than just a capable management team and board, human capital is the leadership ecosystem of outside advisers, volunteers, and clients that organisations need to thrive in challenging environments.
- **Social capital** that enables people and organisations unused to working together to collaborate effectively. Trust and creativity will be essential for social capital formation, supporting and pushing us to confront our collective challenges and embrace innovative solutions.

(Adapted from Antony Bugg-Levine, Complete Capital, SSIR, Winter, 2013 http://www.ssireview.org/articles/entry/complete_capital)

BACKGROUND

The countries covered in our study are diverse culturally, economically, and politically. Nevertheless it is clear that there are common challenges. Prominent among these is the growing "wealth gap challenge" created by the fast-paced economic growth experienced over the last three decades. Whilst absolute poverty levels have fallen in all of the countries, the level of inequality has risen as the benefits of globalisation have benefited certain parts of society disproportionately while leaving others behind.

In Thailand, Indonesia and the Philippines, economic growth and development have been a double-edged sword for social sectors that had historically relied on overseas development assistance (ODA) and other foreign donor sources for a significant portion of their funding. As these economies move up the income ladder, they become less compelling to foreign donors, particularly in times of austerity at home. It has been observed that philanthropy has not kept up with the pace of wealth generation in Asia.[7] Perhaps just as importantly, in Southeast Asia domestic philanthropy has not yet stepped up to fill the gap left behind by the departure of foreign funding and support. While wealth has been accumulating in one part of society, funding has been flowing out of another.

In these countries, constrained government funding and difficulties of implementation are struggling to keep up with service delivery demands in areas ranging from education to healthcare to disaster relief, especially across the very difficult geographical landscape of the island nations of the Philippines and Indonesia. Thailand has struggled with consistency of policy and approach, given ongoing political instability. The disruption or marginalisation of traditional livelihoods by changing and volatile global market conditions as well as environmental degradation also adds to the demands placed on government.

Even Singapore, by far the most prosperous nation in our study, has seen rising levels of inequality while 12 percent to 14 percent of households are still assessed as living in poverty.[8] Since the last election, discussions of the need to create a more inclusive society have been part of the national discourse.

Factors historically influencing social sector financing

Historically, the way the social sectors in each of our focus countries have chosen to address these problems, and how they were financed in doing so, has been influenced by a few factors. These have included some mix of

1. cultural, historical and religious traditions which have heavily influenced the types and targets of giving;
2. historical relationships between government and the social sector;
3. the way in which social sector organisations have been perceived by other owners of power and wealth (business, established elites); and
4. the influence and presence of international organisations.

These factors are likely to continue to influence the evolution of how social challenges are met, and we have therefore provided background as to how they have evolved in each country.

EMERGING THEMES

Building blocks are in place for social investing

Over the last decade, great attention has been generated in Asia by the concepts of social enterprises and impact investing. Singapore launched a Social Enterprise Fund as early as 2003 followed by the Social Enterprise Committee in 2006. While social enterprise models have been active in the region for some time, the term "social enterprise" only came to public discourse through a series of workshops organised by the British Council in 2009. Impact investing caught the attention of many through a series of research reports produced by J.P. Morgan and the Monitor Institute. Venture philanthropy arrived in Southeast Asia a little later, making its presence known with the establishment of the Asian Venture Philanthropy Network in Singapore in 2011. At the same time, a few family foundations have evolved their giving practices in line with social investing approaches, guided by a new generation of family members working with professional management. Overall, however, social investing is still a nascent phenomenon in Southeast Asia.

Traditional charitable giving still dominates the philanthropic landscape

As previous studies have observed, social giving in the countries of Southeast Asia is still overwhelmingly in the form of traditional charity, driven by affiliation and personal motivations rather than strategic intent. There is a lack of publicly available data outside of Singapore. However, views of those in the field and other sources of estimates suggest that, in all of our focus countries, traditional charitable giving represents substantive pools of money, likely to be substantially under-reported in any official reportings such as tax deductibility. A key task for the development of the social investment field is how to attract some of these traditional funds, as well as funds not yet orientated towards social good, into more impactful forms of philanthropic giving.

But pioneering family foundations are setting examples

In each country, a few practitioners of a more strategic type of philanthropy have emerged, including the Lien Foundation and Tsao Foundation in Singapore, the Consuelo Foundation and Zuellig Family Foundation in the Philippines and Putera Sampoerna in Indonesia. These are examples of foundations that have chosen one or a very limited number of issues of focus, developed deep understanding of the selected issues, and used an open networked approach to tackling them, working with partners in the field through professional managers. Each of these foundations have designed and implemented field altering programmes in their respective areas with at least an implicit theory of change behind their strategies.

A point of note is that, while venture philanthropy organisations in the West have invested in existing organisations, working with them to achieve greater scale and impact, philanthropists in Southeast Asia have often chosen to set up and build their own SPOs to achieve their aims. The more advanced practitioners of such an approach exhibit venture philanthropy-like approaches in the level of engagement, providing non-financial resources in the form of professional management, and access to experts, skills and networks.

Locally constituted venture philanthropy organisations have yet to emerge

Venture philanthropy organisations (VPOs) as constituted in the West as foundations pooling institutional money have yet to be seen in Southeast Asia. InspirAsia, based in Bali, operates perhaps the closest model, providing funding alongside capacity building support to impactful nonprofit organisations (NPOs) in several countries in Southeast Asia. Their operating model was inspired by the programmes of Dasra, a pioneering VPO in India. AP Ventures in Singapore was set up by six individuals and gives financial and mentoring support to organisations in Singapore and the region. ADM Capital Foundation, headquartered in Hong Kong has operations in several countries in Southeast Asia.

Initiatives targetting traditional individual charitable giving

Around the region, there are initiatives aimed at traditional giving by individuals. Perhaps most significantly, Rumah Zakat, the second largest collector of *zakat* (a form of mandatory religious giving) in Indonesia, is using a venture philanthropy approach in a series of programmes and projects supporting the attainment of Indonesia's Millenium Development Goals. The aim of the Community Foundation of Singapore is to provide individuals and smaller corporates with logistical and advisory support in adopting more strategic and effective approaches to philanthropic giving. In Singapore, international and local banks have established philanthropic advisory services, with varying degrees of success.

Innovative sources of funding have been tapped

Across the region, funds for social purposes have been set up from unconventional sources. The Philippines has been the pioneer, setting up two social funds from a foreign debt to equity swap in the 1990s, and another from the proceeds of a special-purpose bond sale.[9] All three funds are seen as pioneering new approaches to grantmaking, as well as investing in and supporting community-based social enterprises. The Tote Board in Singapore and Thai Health Promotion Foundation are both funded by "sin taxes;" the former from gambling proceeds and the latter from excise taxes on tobacco and alcohol. Both are among the largest grantmakers in their respective countries and have funded key parts of the emerging ecosystem for social enterprises.

Collaboration in philanthropy remains rare

One question for supporters of the social investment field is how best to disseminate the experience of pioneering organisations and programmes with other philanthropists to stimulate shared learnings. Sharing what works and what does not could be a first step towards a practice that needs to be encouraged among Southeast Asian philanthropists – collaboration in philanthropic giving. Virtually every philanthropic actor we talked to, institutional or individual, was engaged in education, be it the giving of scholarships, the setting up of community schools or endowment of universities. In the area of education alone the benefits of sharing experiences and resources could be field changing. Though there are several instances of philanthropists working with public sector and social sector entities, outside the Philippines, there are few examples of collaborative philanthropic action. Strategic and venture philanthropy still works primarily on a bilateral basis in Southeast Asia.

Two gaps frequently cited as inhibiting greater philanthropic activity

Across the region, lack of understanding of social issues and what constitutes effective interventions were frequently mentioned as reasons for not giving, both in our interviews, and as cited in surveys. Observers from more developed social investing markets in other countries note a lack of urgency in Southeast Asian societies for actively engaging in philanthropy as a means for addressing entrenched social problems.

Just as frequently, outside of the Philippines and Singapore, a lack of trust or confidence in NPOs' transparency, accountability and effectiveness in addressing social issues was cited as another obstacle in generating additional and new forms of giving.

THE POTENTIAL OF CORPORATE PHILANTHROPY

The business sector could play a catalytic role in the evolution of social investment in Southeast Asia. Corporate philanthropy is already one of the most significant as well as fastest-growing sources of social sector funding in the region. There are several reasons for this.

Close links between family and corporate philanthropy

Some of the foundations previously mentioned originated in the corporate social responsibility (CSR) activities of family businesses. In most of the countries of Southeast Asia, businesses are still closely linked to their founding families, and in many cases, CSR activities are closely intertwined with that of family activities. We noted several examples across the region of families choosing to implement their philanthropic aspirations through their corporate vehicles. In a region where professional philanthropic resources and capacity building support for nonprofits are still in very short supply, philanthropists can choose to draw on the substantial human and other resources of the family business to fulfill their philanthropic aspirations.

The evolution of corporate venture philanthropy

Even for companies devoid of a family connection, cultural and historical traditions prescribing responsibility to the community are prevalent at the institutional as well as the individual level. While ad-hoc grantmaking, often for public relations purposes, remains the mainstream form for CSR activities in the region, a few pioneering corporations in Southeast Asia are testing models of what might be called corporate venture philanthropy. In these examples, corporate philanthropic funding is delivered with the corporation's specific skills, networks and resources to help ensure impact. Examples include SCG Group's multi-year involvement with communities in Thailand, enhancing the way they practise their livelihoods. In Singapore, corporate engagement and partnership with social enterprises is emerging as one way of providing capacity building services to the sector; DBS has a multi-pronged programme for the development of social enterprises regionally which includes specialised lending programmes as well as supporting capacity building initiatives. Ayala Corporation, a long-standing leader in corporate social responsibility in the Philippines, has recently announced the successful implementation of "shared value"[10] principles in its businesses.

Engagement of customers and employees

A new, more socially- and environmentally-minded generation of employees is demanding opportunities for social purpose within their work, while increasing consumer demands for more responsible approaches to business are propelling a new movement of models for corporate social engagement beyond traditional CSR.

Mandatory CSR

In Indonesia, companies in the extractive industries are required to invest 2 percent of their annual net profits in CSR programmes. In Thailand, a 2011 ministerial regulation allows monetary penalties for non-compliance with disability hiring laws to be used for programmes supporting persons of disabilities. Given difficulties of implementation, particularly for smaller companies with limited resources, there are discussions in both countries as to the possibility of managing the funds on a collective basis. An early regional example of voluntary pooling of CSR funds was Philippine Business for Social Progress (PBSP), established in 1970.

IMPACT INVESTING MARKET IN A VERY EARLY STAGE OF DEVELOPMENT

International and regional impact investment funds, including LGT Venture Philanthropy,[11] Bamboo Finance, Unitus Impact and Aavishkaar Frontier now actively seek investment opportunities in Southeast Asia, with LGT Venture Philanthropy and Bamboo Finance having established offices in Singapore. Impact Investment Exchange Asia established private placement platform Impact Partners in 2011 to match Asian social enterprises with potential investors. To the best of our knowledge, approximately 20 impact investment deals of significant size have been concluded in our focus markets to date, five of them executed through the Impact Partners platform. This applies to impact investments in the global sense of the term, i.e., sizeable investments made by institutional funds and strategic or high net worth investors with the expectation of both social impact and a commercially viable financial rate of return. The number of investments concluded has picked up pace since early 2013.

Almost all of these investments have been made in inclusive businesses, the more commercial end of the spectrum of social enterprises providing products, services and enhanced livelihoods. Interestingly, a significant number of these enterprises were founded by expatriates and overseas nationals, often experienced businessmen returning to their home countries who may be professionals more attuned to the requirements of international investors.

International impact investors cite lack of investment readiness and scale

Such requirements include appropriate legal governance structures, a scaleable business model, and management capable of executing such a model. International impact investors frequently list these factors when saying that there is a lack of investment-ready social enterprises in the region. Some report shifting their deal sourcing focus from social fora to industry and small and medium enterprise events in socially relevant sectors such as agriculture, healthcare and energy, suggesting that it is easier to reinforce existing social impact and intent in organisations established for business purposes than to impose business principles on primarily SPOs.

New pipelines of social enterprises being created, but gap remains

A number of incubation vehicles and business competitions for start-up and early stage social enterprises have been set up in each of the focus countries. These include the SE Hub in Singapore, and UnLtd in Thailand and Indonesia. Through these vehicles, local investments (mostly grants or loans) are being made. Such start-ups vary greatly by sector and business model and success rates for scaling up are as yet inconclusive.

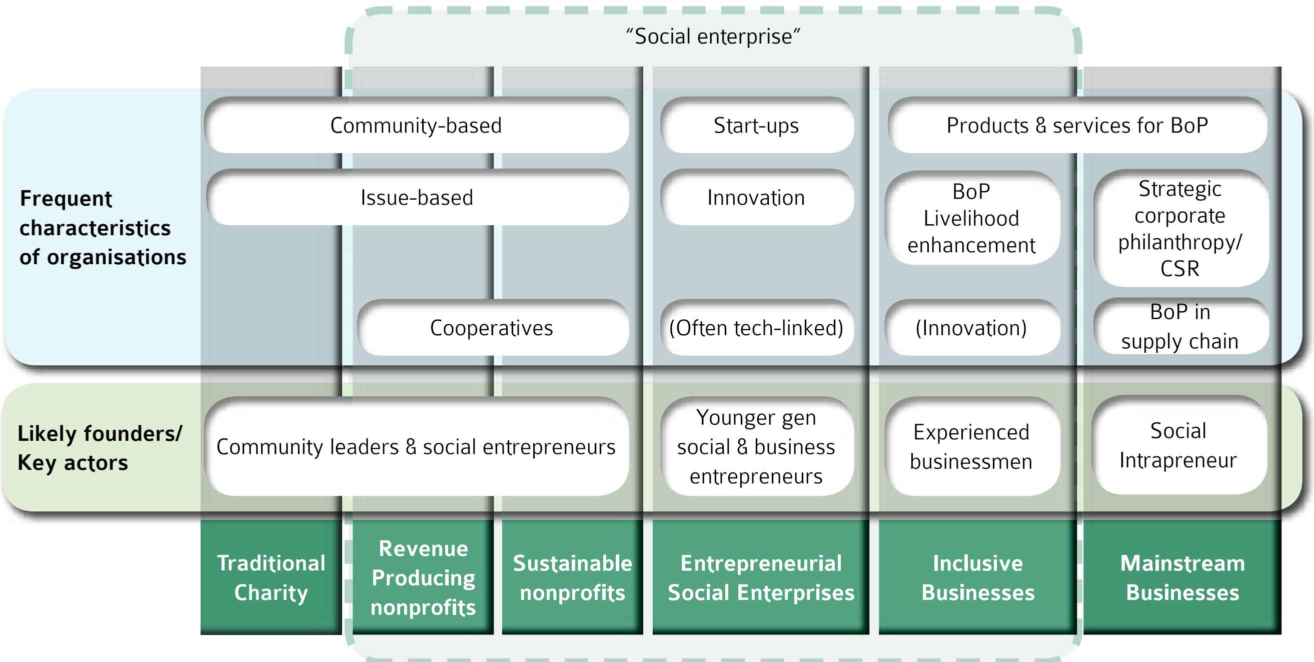
In all countries, more support models are needed for scaling social enterprises from start-ups or social entities to enterprises investable by mainstream investors. Two funds operating from bases in Cambodia—Insitor and Uberis—work in this gap, providing what Uberis calls "transition capital." LGT Venture Philanthropy has set up their Accelerator Program to address the same issue. All three models are distinguished by the amount of intensive on-the-ground capacity building support provided.

A DIVERSE RANGE OF SPOS WITH DIFFERENT NEEDS

Parallel to the development of new forms of giving is the emergence of alternative forms of SPOs. While examples of these organisations have existed for a few decades, there has been a noticeable increase in organisations adopting the term "social enterprise," including revenue-producing NPOs as well as inclusive businesses. The Asian Development Bank, a key promoter of inclusive businesses in the region, differentiates the latter from social enterprises by the former's "higher realized profit-making motive"[12] and believes that such entities can have a broader social impact and contribution to poverty reduction.

In practice, the lines between types of social enterprises, or social enterprises and inclusive businesses, or social enterprises and revenue-earning nonprofits can be hard to discern. Figure 1 is a simplified attempt to show broad types of SPOs that currently operate in Southeast Asia, and some of their key characteristics. In practice, the lines between the different types can be blurred. We show mainstream businesses with BoP business lines and corporate strategic philanthropy for the sake of completeness, but they would normally not be considered SPOs.

Figure 1: Range of Organisations with Social Purpose



Source: Adapted from Asian Venture Philanthropy Network diagram of the full spectrum of SPOs, www.avpn.asia/about-us/avpn-background/

Terminology aside, an important practical consequence of such diversity of SPOs is that capacity building models need to be found or developed which accommodate their wide-ranging nature. As social investing evolves in each of the countries covered, it remains to be seen how much of the supporting infrastructure can be shared by the different types of SPOs across the spectrum, and whether existing programmes for promoting entrepreneurship and SMEs can be adapted to accommodate social enterprises. Programmes to develop community-based enterprises have a long history in the region, and have been an important part of national development agendas and aid programmes; some learnings may be gleaned from their experiences as well as from community foundation developments across the globe.

KEY INTERMEDIARIES ARE BUILDING ECOSYSTEMS FOR SOCIAL ENTERPRISES

In Indonesia, Philippines, Thailand and Vietnam, key intermediaries for impact investing and social enterprises are creating public awareness of the field and are working collaboratively to build an ecosystem of support. GEPI, Kinara and more recently UnLtd in Indonesia, ChangeFusion in Thailand, xchange and Gawad Kalinga in the Philippines, and Spark and SCIP in Vietnam are playing critical roles in generating support for social enterprises in their respective countries. In general these intermediaries are well networked domestically, with some also maintaining strong regional communication links. ChangeFusion is working on a resource database for impact investors into the region, drawing on intermediaries in each country. Impact Investment Exchange Asia is playing an important role at the regional and international levels.

THE ECOSYSTEM FOR PHILANTHROPY AND TRADITIONAL NONPROFITS IS LIMITED

Singapore benefits from a number of government-funded field support organisations such as National Volunteer and Philanthropy Centre (NVPC) and National Council of Social Service (NCSS) for philanthropy and nonprofit organisations. Vietnam's LIN Center for Community Development, modelling itself on the Singaporean institutions, is seeking to play a similar role in Vietnam's nascent social sector. However, elsewhere in the region, there is very little infrastructure for philanthropic giving. Outside of the Philippines, where CODE-NGO has played a crucial role in the development of the nonprofit sector, there is little formal capacity building support for nonprofits beyond training programmes. It will be vital to identify these gaps and fill them either through development of in-country solutions or adapting international/ regional models.

NEXT GENERATION ENGAGING WITH SOCIAL INVESTMENT AT SEVERAL LEVELS

A key source of energy for the development of social investment in Southeast Asia is a new generation of younger professionals that are seeking social purpose in their choice of career. They are founding social enterprises and intermediaries, as well as finding other roles, sometimes on a part-time basis, in the ecosystems. At the corporate level, young professionals are pressuring their employees to provide opportunities for social engagement within the realms of their job, further providing further support for the new trends in corporate social engagement. At the funders' level, new generations are looking at new, more impactful approaches for their family philanthropy.

EVOLVING ROLE OF GOVERNMENT

Anand's study explains comprehensively the current and potential role of public policy in promoting philanthropy in Southeast Asia, including providing supportive regulatory frameworks and tax policies. As social investing evolves, governments will need to provide legal structures and tax policies that are accommodating of hybrid revenue earning-social purpose models, both at the investor and investee level.

Beyond the role of regulator, certain governments are seeking to play a catalytic role in social investing. The concepts of social enterprises and social innovation in particular have caught the attention of the public sector. In Singapore and Thailand, government agencies Ministry of Social and Family Development (MSF) and Thai Social Enterprise Office (TSEO) have taken an active role in the creating programmes to raise awareness, convening players, and providing support for other key ecosystem builders.

NEXT STEPS – RECOMMENDATIONS

As set out earlier, we have found the complete capital approach to be a useful framework for viewing the social investment landscape Southeast Asia. We have provided a national level analysis at the end of each country section of this paper, and attempt to summarise some of the recommendations below.

Human Capital

The factors most frequently cited as challenges or obstacles to increased social investment in the region are related to a deficit of human rather than financial capital. Across all countries except Singapore, a lack of trust in social sector organisations was one of the key factors cited as holding back greater philanthropic giving. At its most basic, this manifested itself in concerns over transparency and misuse of funds. Beyond this, philanthropists expressed doubt in the operational capabilities of NPOs and NPO staff including their ability to deliver social impact. Potential investors in social enterprises cite the "lack of absorptive capacity" as a hindrance to investment; the lack of human resources is as much of an obstacle to the scaling of social enterprises as the need for financing.

The countries of Southeast Asia need to develop effective capacity building models for SPOs. In pooled funds such as seen in Europe, India and the US, scale allows for capacity building costs to be built into the investment model. In the absence of such scale and structure, independent specialist service providers—consultants, experienced managers, and operational experts are needed. In addition, frequently mentioned requirements for investable SPOs such as legal and governance structures and financial transparency can only be provided by the relevant professions and pro bono professional services need to be negotiated as another part of capacity building.

Social investment needs intermediaries—organisations which provide both human and social capital, matching SPOs with investors, providing or accessing services that both sides require, and acting as convening agents for the field. A small number of intermediaries in each country are playing valuable roles in developing the ecosystem for social investment in Southeast Asia.

Many of these intermediaries, perennially short of operating funds, are staffed heavily by dedicated volunteers and interns and tend to attract people from the social rather than business sectors, partially because of relative salary levels. As the field grows in complexity, given the multitude of instruments and actors involved, more experienced professionals from both the social and business sectors will be needed to advance the field across the entire ecosystem. While social investment's combination of business orientation, innovation and social purpose has brought in new talent, society will have to learn how to compensate professionals for creating social impact as well as financial returns in order to retain them in the field. Viable long-term careers need to be provided for the new generation of young professionals dedicated to pushing social investing to the next level. Across the range of social investment approaches, India has benefited tremendously from the presence of strong pioneering, networked intermediaries, (see Global Perspectives, page 18) staffed by well-educated young professionals, a particular resource of the country.

Another model for providing support to SPOs is partnership with well-established companies. This can be particularly impactful for inclusive businesses. Successful social enterprises such as Husk Power in India and P.T. Rumah in Indonesia have benefited from the early support of major multinationals in their field. There is a need to develop more models of corporate-SPO engagement which allow SPOs to access valuable business resources while maintaining their social missions. The examples of Latin America, where business has been a leader in social investment, may be particularly helpful. (Global Perspectives, page 22.)

Recommendations:

- Develop models for deployment and financing of independent specialist service providers for SPOs.
- Develop models for access to pro bono professional services.
- Support ecosystem building intermediaries.
- Find and promote examples of effective corporate engagement of SPOs longer-term.
- Provide viable career paths for young professionals coming into the field.

Financial Capital

There are several potential sources of funds that could be tapped for social investment. These include the substantive sources of traditional charitable giving mentioned earlier; at the private institutional and individual level, models of success as well as significant advocacy from credible leadership, political and private, are likely to be needed to change existing habits of giving. Religious giving represents another very significant, if sensitive pool of charitable funds in the region. While Rumah Zakat and the Catholic Church have developed successful models for deploying religious funds for social purposes, parallel narratives and models need to be considered for other religious institutions in the region.

Besides existing sources of charitable giving, we believe social investing can also attract new supporters to social causes as well as new funds from existing supporters, drawn by the potential for sustainability, scale and new forms of engagement with SPOs. This includes corporate funding, new wealth, and a younger generation from traditional philanthropic sources.

There is a noticeable lack of pooled mechanisms for giving. Educational efforts need to be undertaken on the benefits of pooled funds, including scale, access to greater implementation resources, lower costs and diversification of risks. It is possible that new models of pooled vehicles for social investment in the region will come from relatively new sources of individual wealth, or smaller institutions that do not yet have well-entrenched systems and institutions for giving.

This seems to have been the case for pioneering venture philanthropy in the US, led by Silicon Valley billionaires, and the UK, where the private equity industry played a leading role. The success of Dasra in India shows a similar trend, as the majority of their giving circle members are reported to be highly successful high net worth professionals rather than members of family dynasties. Dasra combines a relatively simple mechanism for pooling funds, the giving circle, with a venture philanthropy approach to disbursing them.

Other potential sources of pooled funds include voluntary and mandated CSR funds from mid-tier and smaller companies without established corporate giving infrastructures—PBSP in the Philippines provides an early example. Reports from such entities suggest the lack of in-house implementation resources for seeking and monitoring investment opportunities is leading to the under-utilisation of tax benefits for voluntary CSR as well as the violation of mandatory CSR requirements.

Grant support will continue to be needed for development of the ecosystem including providing financing support for intermediaries, the development of intellectual capital through research reports and experimental models, and the convening of actors to share learning. At the regional level, the Rockefeller Foundation and the Asian Development Bank have provided catalytic funding while the Government of Singapore and Thai Health Promotion Foundation have provided similar field-building support at the national level.

The US, with its myriad of funds and instruments for investing them, has been a pioneer in pooling different sources and types of funds, tailoring them to meet beneficiaries' needs, as well as exacting maximum leverage from funds available. An example of this is the Obama administration's Social Innovation Fund, which uses government funding to leverage several tiers of private sector funding (Global Perspectives, page 21).

Recommendations:

Identify types of financing needed

- Programme and venture financing
- Core on-the-ground capacity building for SPOs
- Ecosystem building—supporting intermediaries and other enabling infrastructure

Identify sources of funds

- Further develop and propagate models of successful social investment to attract new funds.
- Use intellectual and social capital to access traditional charitable sources for social investment; convene leadership around a well-presented and compelling cause.
- Target new sources of wealth /funds for pioneering pooled mechanisms, e.g.,
  - high net worth professionals and business entrepreneurs
  - mandated and voluntary CSR.
- Tap local, regional and international grantmakers for ecosystem building.

Social Capital

Scarce financial and human capital will be used more efficiently and to greater effect if there is collaboration. As mentioned, one of the most persistent observations regarding philanthropy in Southeast Asia is that there is still very little collaboration or even communication of lessons learnt among philanthropic actors outside of the Philippines. Regardless of whether the lack of cooperation and coordination is due to cultural inhibitions on talking about wealth and giving, or concerns over privacy, the silos of philanthropic action need to be broken and convening of philanthropic actors encouraged.

While the regional Philanthropy in Asia Summit is now in its second year, such convenings also need to be held within each country; with the exception of Singapore, philanthropy in Southeast Asia is still overwhelmingly local. Large regional convenings provide a valuable forum for the exchange of ideas and knowledge, but the arena for action will be local, and local gatherings are needed where ideas and knowledge can be adapted into specific action plans.

One potential path to the convening of new philanthropic actors is the utilisation of informal networks created through professional, academic or other affiliations. There are reports of small philanthropic groupings forming around subsets of Young Presidents' Organization members and university alumni associations. Thai Young Philanthropists' Network in Thailand (TYPN) and the Family Business Network (FBN) also provide platforms where philanthropic giving can be discussed among interested subgroups.

Actors in the social enterprise space have shown more evidence of collaborative action; in a new market or movement, collaboration often brings more results than competition. The small number of intermediaries, investors, successful social enterprises and relevant government agencies in each country are well known to each other. What is needed is more interaction with the wider philanthropic and social sector universe.

Experience from elsewhere in the world (see Global Perspectives: the UK) shows the value of tri-sector collaboration. In general, business and government in Southeast Asian countries have an amicable relationship – several examples of public-private partnerships can be cited in the region. While there are several examples of government, business and social sector collaboration on specific social projects, the potential of tri-sector coalitions taking collective action[13] against complex social problems has yet to be realised.

Recommendations:

- Provide local forums for convening of philanthropists.
- Consider the convening potential of informal networks.
- Provide issues-based forums for convening of philanthropists and impact investors, SPOs and government agencies.
- Beyond collaboration, identify complex issues needing collective action and find tri-sector leaders willing to support concerted action.

Intellectual capital

One way of catalysing action is to create more immediacy and sense of agency around a problem. Another frequently-cited reason for holding back philanthropic giving in Southeast Asia is a lack of knowledge of social issues and what may be done to effectively address them. There is a need to have a more widespread understanding of social and environment issues in Southeast Asia. Action-oriented research, well-evidenced and presented, accessible to laymen as well as specialists, may provide a means of compelling and convening action around social and environmental issues.

In addition to issues-focused research, intellectual capital is still needed to overcome a number of institutional obstacles to the development of social investing. These include

a. the development of legal structures accommodative of hybrid SPOs and social giving that combines social intent with revenue producing capabilities;
b. the adaptation of regulatory frameworks and taxation policies supportive of such social investment vehicles, both investors and investees;
c. the development of mechanisms for supporting lending to immature SPOs; and
d. envisioning the roles social investing can play in the development agendas of each of the countries in our study and how official institutions (national and multilateral) can play an enabling role.

Another important role of intellectual capital is providing and disseminating effective examples of social investment —developing and publicising successful models will be a key requirement for spurring further evolution of the field.

On each of these issues, global experience can play a role; intellectual capital is the type of capital most likely to benefit from sharing at regional and international levels.

Recommendations:

- Use intervention-oriented, well-evidenced research on social issues to convene actors around a common platform.
- Encourage dialogue with and among governments to implement social investment-friendly frameworks and policies.
- Find and promote successful models.

Integrated complete capital models

While complete capital delivery usually involves multiple organisations and sectors of society, some examples are emerging of integrated delivery within one organisation. Inspiring Scotland and Dasra of India both convene funders to provide integrated financial and in-house capacity building support as well as access to external service providers for SPOs. A key foundation of their approach is the commissioning of comprehensive, action-oriented research on specific social problems to pool philanthropic money (institutional in the case of Inspiring Scotland and individual for Dasra) around an issue. In India as well, Aavishkaar, Intellecap and the Sankalp Forum are a closely-linked network of organisations which together provide all three types of capital. A new generation of community foundations, which supplement locally-sourced financing and resources with externally-sourced funds and expertise could also be considered complete capital providers and are particularly relevant examples for Southeast Asia.[14]

CONCLUSION

The factor that is needed to pull all these elements together is courageous and committed leadership, across all three sectors of society. During the course of our research, several veterans of both venture philanthropy and impact investing movements from other parts of the world have talked about the seminal role of a small group of highly-motivated individuals in the development of the field in their countries. These individuals worked through informal networks, drawing on different fields of influence to create successful models which could then be used as sources of learning and inspiration for others. Leadership is emerging in each of the countries in our study, but more is needed.

A striking recent example of the magnitude of resources that can be mobilised in Southeast Asia when strong leadership meets a well-documented and reputable solution provider to a compelling social cause was seen in Indonesia. In April of 2014, a senior Indonesian businessman mobilised USD 40 million from eight other Indonesian businessmen for a new Indonesia Health Fund to be set up in partnership with the Gates Foundation, which matched the amount raised domestically.[15] This followed his own USD 65 million donation in 2013 to The Global Fund to Fight Aids, Tuberculosis and Malaria, a striking example of the possibilities of leadership.[16]

At the other end of the spectrum, multiple examples of entrepreneurial solutions and approaches to social issues are emerging. Social investing's task is to provide means of uniting the two forces in an effective manner, enabling them to address Southeast Asia's social and environmental problems at the scale that is needed. If successful, social investment may also have an ancillary benefit on the social as well as the economic gaps that have appeared in Southeast Asian societies. The process of seeking and supporting social solutions from multiple sources, including grassroots and new generation citizens, and the subsequent high engagement approach to implementation is a more inclusive method of addressing social issues than the top-down approaches more familiar to the countries of the region.

Endnotes

1. In his series of working papers on entrepreneurial social finance in Asia, Rob John defines the term "entrepreneurial social finance" as "an umbrella term that captures financing models that are particularly appropriate for nonprofit organisations that are entrepreneurial in nature, and social enterprises that primarily trade in order to achieve social goals. ESF includes much of what is described as venture philanthropy or impact investing. See: Rob John, "The Emerging Ecosystem of Entrepreneurial Social Finance in Asia," (Working Paper No.1, Entrepreneurial Social Finance in Asia, Asia Centre for Social Entrepreneurship and Philanthropy, NUS Business School, Singapore, 2013), 8.

2. The concept of collective impact is discussed in John Kania and Mark Kramer, "Collective Impact," *Stanford Social Innovation Review,* Winter 2011.

3. Prapti Upadhyay Anand, *Levers for Change: Philanthropy in select South East Asian countries*, Lien Centre for Social Innovation (2014).

4. Rob John, "The Emerging Eco System."

5. *UBS-INSEAD Study on Family Philanthropy in Asia,* UBS Philanthropy Services, INSEAD (2011), www.insead.edu/facultyresearch/centres/social_entrepreneurship/documents/insead_study_family_philantropy_asia.pdf

6. A more complete exposition of the complete capital framework and how it is used in practice is provided on the Nonprofit Finance Fund website at http://nonprofitfinancefund.org/Complete-Capital

7. Anand, *Levers for Change*.

8. The figures refer to 2008 data, the latest available figures for income estimates amongst 'all' Singapore resident households as opposed to 'employed' households, which is available annually. Jacqueline Loh, "Bottom Fifth in Singapore," Social Space 2011, Lien Centre for Social Innovation. https://centres.smu.edu.sg/lien/files/2013/10/SocialSpace2011-Bottom-Fifth-in-Singapore-Jacqueline-Loh.pdf

9. See the Philippines on page 46.

10. Shared value is a business and management strategy that is being increasingly discussed in Asia as a way of both addressing social problems and accessing new market opportunities. As defined by its practitioners, "Shared value is a management strategy focused on companies creating measurable business value by identifying and addressing social problems that intersect with their business." See http://sharedvalue.org/about-shared-value

11. LGT Venture Philanthropy operates on a blended venture philanthropy/impact investment model, offering grants, early stage loans and equity.

12. ADB, www.adb.org/themes/poverty/impact-investing

13. Kania and Kramer, "Collective Impact."

14. See for example reports from the Global Fund for Community Foundations, Barry Knight "The Value of Community Philanthropy," Global Fund for Community Foundations, 2012, www.globalfundcommunityfoundations.org/information/the-value-of-community-philanthopy-results-of-a-consultation.html and Jenny Hodgson, Barry Knight and Alison Mathie, The New Generation of Community Philanthropy, Global Fund for Community Foundations and Coady International Institute, (2012), www.globalfundcommunityfoundations.org/information/the-new-generation-of-community-foundations.html

15. "Gates, conglomerates sign MoU on philanthropy," *The Jakarta Post*, 6 April, 2014, http://m.thejakartapost.com/news/2014/04/06/gates-conglomerates-sign-mou-philanthropy.html

16. "Tahir Contributes $65 Million to the Global Fund" The Global Fund, 21 October 2013, www.theglobalfund.org/en/mediacenter/newsreleases/2013-10-21_Tahir_Contributes_USD_65_Million_to_the_Global_Fund/

GLOBAL PERSPECTIVES

Globally, the social investment sector is growing rapidly in percentage terms from a relatively low baseline in absolute terms. "It is time to accelerate," is the rallying cry from the 2012 study supported by the Rockefeller Foundation and that essentially sums up the five-year global effort to build impact investing as an engine for social change.[1] Certainly, in reviewing the global social investment landscape, it is hard to avoid the impression of a glass both half-empty and half-full. For Southeast Asia, the question is: *What aspects of the global experience can provide significant acceleration in this region?*

Born in the same year, and thus to some extent intertwined with the global financial crisis, impact investing as an investment style has grown significantly in quantum terms from a low base. From around USD 1 billion in commitments reported in 2011,[2] the estimated market has grown to around USD 9 billion in 2013.[3] From one perspective, this represents an impressive compound rate of growth, although the headline figures are a reflection both of additional investment and additional reporting. Impact investing is clearly growing faster than the 20-year gestation of the microfinance industry before it achieved scale. As noted in the Omidyar Network's *Priming the Pump* series of blogs,[4] Grameen Bank took 15 years to reach its first million customers, while Indian microfinance firm Equitas entered the market in 2007, some 30 years later. In less than five years, Equitas scaled from zero to one million customers with USD 40 million in revenue.

IMPACT INVESTING, GROWING BUT STRUGGLING TO REACH SCALE

The relatively rapid growth of impact investing is a signal achievement for which the high-profile global champions of the sector should be applauded. Nevertheless, the promise of impact investing and new philanthropy is that they offer the prospect of creating solutions at an absolute scale which traditional philanthropy cannot. As others have pointed out, the entire endowment of the Bill and Melinda Gates Foundation could fund around USD 10 per capita in helping the world's poor, and this amount is approximately a week's worth of overall subsistence income. Through this lens, and set against the expectations at the start of the movement, impact investment in absolute growth terms faces severe long-term challenges in achieving scale.

According to a recent World Economic Forum report,[5] in order to achieve earlier market predictions of USD 500 billion or USD 1 trillion annually by 2020 from its current base, the impact investment sector would need to achieve growth rates of 53 percent or 69 percent annually. As a benchmark, sustainable investing as a whole in the US has seen a growth rate of 11 percent per annum since 1995. Far from matching or displacing traditional philanthropy, impact investing has, in recent debate in the sector, come to be seen as dependent on philanthropy, particularly in the area of providing concessionary seed capital to high potential but unproven business models and enterprises.[6]

VENTURE PHILANTHROPY, AN EMERGENT PHILOSOPHY

Venture philanthropy, the elder sibling of impact investing, has attracted less public debate and commentary. In many ways though, it has a more solid growth story since the establishment of the first venture philanthropy funds were in the US in the late 1990s. The venture philanthropy approach focuses on a way of doing things—high engagement of skills and resources of the philanthropic investor above and beyond financial commitment—and is not hindered by particular expectations regarding financial scale. The 2012 EVPA Industry Survey[7] conducted by the European Venture Philanthropy Association (EVPA), revealed annual expenditures of EUR 278 million by 61 defined European venture philanthropy respondents. As a philosophy, however, it can be expected that the venture philanthropy approaches have come to influence much more of the annual European foundation expenditures of EUR 46 billion by 60,000 foundations. Significantly, venture philanthropy is a creative combination of the goals and accountabilities of traditional philanthropy, and the skills and techniques of the private equity industry. Together, they are able to inhabit existing structures and institutions comfortably without the concerns about fiduciary responsibility and potential trade-offs between social and financial goals that have beset impact investing.

For the venture philanthropist, both charitable and profit-seeking businesses can serve as vehicles to achieve his or her philanthropic goals. Indeed, the 2012 EVPA survey cites a significant increase in the use of debt or equity models, as opposed to grants, as evidence of overall increased relevance of financial payback. Indeed, as the framing of this report indicates, the spirit of venture philanthropy has flowed into the impact investing world, and the lines between the two are increasingly blurred. Within Asia itself, the venture philanthropy philosophy has attracted a great deal of interest. However, at the current time, there is only one very small fund in Southeast Asia that would be considered as a conventional venture philanthropy fund. The Asia Venture Philanthropy Network (AVPN) was launched in 2011 and it has quickly grown to include 130 members in 20 countries. Global VP practitioners, LGT Venture Philanthropy have established offices in the region, though currently these are purely investment offices; scant funds have as yet been raised in the region.

SOUTHEAST ASIA AND SOCIAL INVESTMENT

For Southeast Asia, the key questions are: to what extent the development paths of impact investing and venture philanthropy in this region will follow those elsewhere in the world; and whether there are shortcuts and accelerators that can be used, or at the very least blind alleys to be avoided as the region builds its own impact investment and venture philanthropy sector.

To date, in global assessments of the sector, Southeast Asia has generally not been considered as a separate region, but lumped together with South Asia, or East Asia depending on the rhetorical preferences of the commentator. For example, in the Global Impact Investing Network (GIIN) impact investor survey,[8] Southeast Asia is bracketed with East Asia in describing geographic investment focus, whereas in an earlier report,[9] Southeast Asia is merged with South Asia in describing reported investments by region. While such amalgamation is acceptable at a global level, it tends to create the impression of more or less uniform momentum, whereas in fact there are huge regional disparities. Linking Southeast Asia in particular with either of the two one-billion-plus populations, India or China, cannot but create the impression of greater activity than is actually the case. This indeed is one of the main drivers in initiating this report—to shine a light on the progress, challenges and possibilities of the region on a stand-alone basis.

BACKWARDS MOVING FORWARDS

Both impact investing and venture philanthropy remain in their infancy in Southeast Asia. What can be hoped is that the region can deploy what economists term the "advantage of backwardness" and develop these sectors on an efficient basis, drawing on the investment in experimentation and innovation globally whilst adapting to local needs and conditions. This approach is particularly important for Southeast Asia, given that the pools of institutional capital available elsewhere are relatively deficient in the region for these kinds of activities, despite overall economic growth. In building new philanthropy, Southeast Asia will need to make the smart-focused investments of resources and energy promoted by the Omidyar network[10] in order to advance the "S-curve" where returns from new philanthropy models become self-sustaining, and the movement achieves systematic take-off. Of course, promoting a focused strategic approach is uncontroversial. Identifying precisely where that focus should be is more challenging.

A brief scan of the experience and catalysing factors in other regions provides some useful insights for Southeast Asia, to inform both cross-cutting regional and country-specific recommendations. For this paper we have chosen to look more closely at the following regions: the US and the UK, where impact investing and venture philanthropy took shape; Latin America, which has some revealing parallels with Southeast Asia; and India and China, both of which cast long shadows into the life of Southeast Asia.

SOCIAL INVESTMENT – AN ANGLO IDIOM?

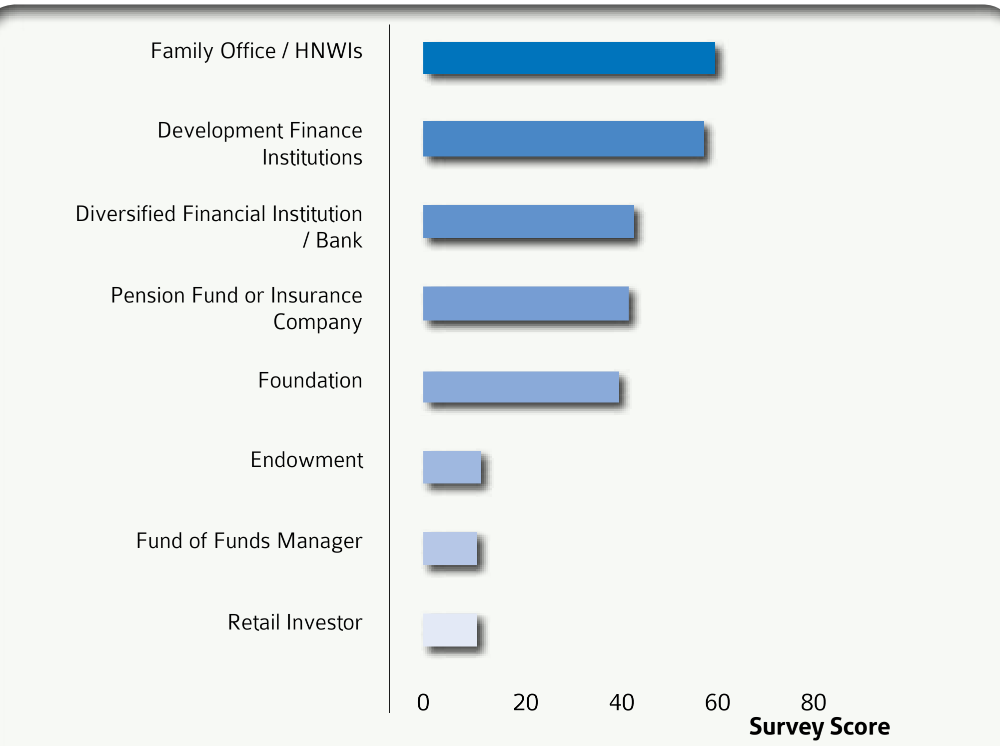
The US and the UK are the markets in which the practice and methodologies of social investment have been most tested. They are of course, also worlds away from the social, economic and cultural conditions of countries in Southeast Asia. Nevertheless, the relatively long learning curve in both countries provides insights for Southeast Asia to accelerate its development. The US in particular has a wealth of enabling factors to develop the sector, building on a longstanding and highly public tradition of corporate, institutional and individual philanthropy. The concept of venture philanthropy developed in the US, with the establishment of the first venture philanthropy funds, such as New Profit, Inc., in the late 1990s. Similarly, the development of impacting investing has been championed by the Rockefeller Foundation, funder of this report. The Foundation is the archetype of the sophisticated endowed foundation, and for a hundred years, it has been a significant actor shaping philanthropy in the US and globally. Other high-profile champions include the foundations of leading tech entrepreneurs, notably the

Omidyar Network, the Skoll Foundation, and the Bill and Melinda Gates Foundation.

Beyond these high profile advocates, there is a significant community of Ultra High Net Worth Individual (UHNWI) philanthropists undertaking new philanthropy directly or through the family offices managing family wealth. Very often it is the family office which has the skills and resources to manage social investment activities. Currently, the US has more than 500 billionaires, whose combined net worth of USD 2 trillion accounts for 34 percent of the combined wealth of billionaires globally.[11] The wealth managers serving these individuals reflect this scale. The number of family offices in the US has grown to about 3,000 single-family offices, with assets under management between USD 1 trillion and 1.2 trillion. There are also about 150 "multi-family offices" with assets under management between USD 400 billion to 450 billion.[12]

These private wealth managers are vital gatekeepers, with the skills, resources and time to manage new philanthropic activities. Southeast Asia, of course, has significant numbers of UHNWIs with 85 billionaires documented in the region in 2013,[13] but still at an order of magnitude less than the US on a comparable population base. Wealth in the region is still broadly "first" generation, held by entrepreneurs fully engaged in wealth creation in core family businesses. Wealth is often held tightly within these businesses, and the family office is a fledgling institution in the region. In its annual survey, Campden Research estimates no more than 120 family offices operating in the entire Asia-Pacific region with Singapore, the sole significant cluster in Southeast Asia.[14] As well as being relatively few in number, these family offices are young compared to their US and European peers, with around 50 percent having been established since 2000. In short, although there is wealth in the region, and growing numbers of UHNWIs, Southeast Asia cannot rely to the same extent as the US on high net worth individuals (HNWI) and their private wealth managers to be prime movers in early-stage financing.

Figure 1: Source of Funds for Impact Investment Fund Managers, 2012



n = 200 *Survey respondents ranked their answers and scores were weighted based on the frequency of selection (3 points if ranked first, 2 points if ranked second and 1 point if ranked third); the stand-alone score of each source of funds is thus less important than the relative score.*

Source: GIIN, J.P. Morgan (as reproduced in From the Margins to the Mainstream, World Economic Forum)

Other key sources of catalytic financing in the US, the long-established and well-endowed foundations exemplified by the Rockefeller Foundation, remain a rarity in Southeast Asia. In the US, such foundations are key funders of new philanthropy initiatives. Such funding flows can be expressed as grants for sector building, concessionary Program Related Investments (PRIs)) as part of the their mandatory 5 percent annual payout, or more returns originated Mission Related Investments (MRIs) for their broader portfolio. In Southeast Asia, tax incentives are in general weaker for establishing and significantly endowing private foundations. In this region, private foundations are more often organisations recently established, and staffed on a shoestring basis and drip-fed funding from a family's core business holding.

Overall perhaps, the core insight for Southeast Asia to be gained from looking at the US, is that the latter has such a particular mix of enabling factors and supportive constituencies, that it should not be presumed that other regions will follow a similar parthway of development in new philanthropy, US "leadership" in this area notwithstanding. For one thing, Southeast Asia will need to look to a different funding mix than the US in developing the sector. One approach, also achieving significant scale in the US, is the local pooled funding mechanisms which can combine public and private capital, and offer a framework for coordination and growth for the more virtual or hybrid model of foundation emerging in Southeast Asia. As a report from the Forum for Sustainable and Responsible Investment outlines,[15] these mechanisms come in a variety of forms including community foundations, giving circles, community development banks, and community venture capital funds. One example would be Investor's Circle, a not-for-profit network of around 150 accredited investors which since 1992 has placed more than USD 172 million in early-stage capital into 271 enterprises, ultimately yielding more than USD 4 billion in follow up financing. Another example would be California Freshworks, a public-private partnership loan fund that has raised USD 264 million to bring health food to underserved communities. New Profit Inc. likewise is a well-established nonprofit social innovation incubator and venture philanthropy fund based in Boston.

At a national scale, the Social Innovation Fund (SIF) is a programme launched by the Obama administration in 2009, which combines public and private resources to grow promising community-based solutions in livelihood opportunities, healthy futures, and youth development. The SIF makes grants USD 1 million to 5 million for up to five years to experienced local grantmaking "intermediaries" that match the federal funds dollar-for-dollar and hold open competitions to identify grantees. These grantees in turn must also match the funds they receive, and participate in rigorous evaluations of the impact of their programmes. As of February 2012, USD 95 million in federal funds have been awarded, and USD 250 million in additional private funds have been leveraged through the programme. Over 150 private philanthropic funders have partnered with the Social Innovation Fund including private foundations, community foundations, corporations, and individual donors.

Some of these mechanisms are purely private in nature, while others benefit from public financing and tax incentives, but all serve to lower transaction costs, share best practice and expertise, and mitigate risks for philanthropic investors. Southeast Asia, in seeking to accelerate its progress along with the "S-curve" of the social sector, could do well to have a strategic emphasis in developing such pooled funding mechanisms.

UK—INNOVATOR IN MULTI-SECTOR APPROACHES

The UK has shadowed many of the aspects of social investment approaches from the US, but it has also been an innovator, driven by a particular model of sustained collaboration between public, private and social sectors. The UK government over the last 10 to15 years, through successive administrations of different political persuasions, has sought with some success to ignite the sector with policy, legislation and material resources. It also provides a model of catalytic policy-making that governments in Southeast Asian countries such as Thailand and Singapore could adapt to their own contexts. This UK effort rides on a broader move towards inclusion of environmental, social and governance (ESG) criteria across all investment classes, resulting today in a situation where around 28 percent of the USD 5.5 trillion in assets managed in the UK is invested in broad social investment strategies, according to a recent report.[16] This mainstreaming of ESG criteria has created a platform for more outcome-focused philanthropic approaches to develop. Jay Barrymore, Managing Partner of London-based Impact Investment Partners told us: "I believe the UK is currently leading in its support for social enterprises. The UK has developed effective demand-side and supply-side policies and legislation that could prove to be a model for other governments to adopt." For example, on the demand-side, the UK government has introduced the Public Services (Social Value) Act which places a duty on public bodies to consider social value in procurement. This creates competitive advantages for social enterprises seeking to deliver government contracts. On the supply-side, the government has not only unlocked USD 900 million from dormant bank accounts for investment into social finance intermediaries (via Big Society Capital), but also launched more focused initiatives (e.g., USD 15 million Investment and Contract Readiness Fund, USD 15 million Social Incubator Fund) to support ecosystem development.

As with the US Benefit Corporation, the UK has introduced a specialised corporate form, the Community Interest Company (CIC), for social enterprises committing use assets and revenues for public good. As of January 2012, more than 6,000 CICs were registered with 100 more being established each month. Venture philanthropy is an established model in the UK, with strong links to the venture capital and private equity industries. Inspiring Scotland, established in 2008, has raised a number of differently themed venture funds to support youth and community projects, often with innovative mixing of public and private capital. One example would be the CashBack for Communities programme which re-purposes the proceeds of crime sequestered by the justice system in accordance with the UK's 2002 Proceeds of Crime Act. Inspiring Scotland worked to leverage funds from other sources with the government as anchor investor, and commissioning independent on youth issues in Scotland which was used as a neutral convening vehicle for different stakeholders around the specific theme funds. Inspiring Scotland also made very significant investment in technical assistance. For every seven organisations supported, one performance adviser would also be in place. The performance advisers were drawn from a wide range of backgrounds, including many from the corporate sector, many making significant financial sacrifices to take on the role—a good selling point with funders concerned about *overheads.* Additionally, Inspiring Scotland built a team of 200 pro bono advisers (individuals) providing specialist skills such as IT and legal servers. Some advisers participated as volunteers, some were seconded by companies as part of their CSR activities. Overall, for each organisation board, management team and performance adviser, the aim was to provide a diversity of expertise and insight from multiple sectors. Technical assistance in Southeast Asia tends to be more one-dimensional, and organisations in the region should look at this and other multi-dimensional approaches.

The Social Investment Business (TSIB) is a UK specialist fund manager with a ten-year track record of over 1,300 investments in civil society organisations and these investments range from a few thousand dollars to more than USD 10 million. TSIB has developed more than 10 funds with a variety of investment targets and objectives, a mixture of grant, equity and debit models, and funding drawn from both the public sector and concessionary private capital. TSIB's Futurebuilders Fund, with support from the UK Cabinet Office provided more than 200 social sector investees with debt financing and technical assistance to help them bid for, win and deliver public service contracts. Additionally, TSIB is seeding regional impact funds in areas of social need. The GBP 2 million Liverpool City Region Impact Fund will offer business support and simple finance to local charities and social enterprises with affordable unsecured loans from GBP 50,000 to 250,000. The fund is financed by GBP 1 million from TSIB, and GBP 1 million from the European Community's Regional Development Fund.

To date impact investment has been a relatively small part of the broader social investment field, with the top ten providers accounting for more than 96 percent of the USD 300 million in impact investments reported in the UK in 2010.[17] However, with the impetus of Big Society Capital, and other government-led funding initiatives such as the Regional Growth Fund, demand for social capital in the UK is expected to grow significantly, reaching USD 1.5 billion annually by 2016, according to a Boston Consulting Group report.[18]

The concerted and mutually reinforcing efforts of government, the private sector and civil society are now bearing fruit in cross-sector innovations which are being studied and emulated globally. These include the social impact bond mechanism, first launched in 2010 to address recidivism among inmates of Peterborough prison in the UK, and the Social Stock Exchange launched by Prime Minister David Cameron in June 2013. The key lesson of the UK experience is that effective tri-sector collaboration is vital in building the social investment sector to scale.

LATIN AMERICA—CORPORATES AS VANGUARD

Latin America has some structural similarities with Southeast Asia, with a disparate set of mid-sized emerging economies, some of which are growing fast, with a couple of regional giants that are similar and some efforts in regional integration. More than 73 million people have left poverty in the ten years to 2013, with a middle class growing by 50 percent to reach around 30 percent of the population.[19] However, disparity is increasing with 82 million people still living on less than USD 2.50 a day in the region.

Compared to Southeast Asia, Latin America is significantly further along the "S-curve" in establishing social investment as a mainstream practice. No doubt, the mutual inter-penetration of the markets and businesses of the English-speaking and Spanish-speaking Americas, have helped to spread ideas and debate on social investment approaches from the US. However, it is also clear that Latin America is building its own tradition of social investment, building on local economic, cultural and political realities.

One key factor is leadership by the corporate sector coupled with recognition of the primary role played by micro, small and medium enterprises (MSMEs) in the economic life of the region. In Colombia for example, the MSME sector accounts for 99.9 percent of all enterprises and 87.5 percent of employment, with high levels across the whole region. A 2013 study[20] highlights the key role in developing the new philanthropy sector undertaken by the corporate sector more broadly. In a survey of 139 members of the regional Forum Empresa, a major business membership organisation, the authors found that 62.5 percent of the respondents were already making what they termed impact investments and 34.5 percent would be interested to consider such opportunities. Of those already making impact investments, more than 20 percent had already invested USD 5 million. Although the survey recipients are not a randomised sample, and cannot be extrapolated across business in the region as a whole, such participation rates would be unprecedented in Southeast Asia. In Latin America's well-established social democracies, underpinned by vibrant public debate and media, corporate social responsibility is now largely given as a social norm with more than 80 percent of participants having used CSR criteria in their investment decisions, as opposed to 16 percent only using financial criteria.

Exchanges and collaborations between the corporate sector and the emerging social investment community in Latin America are not uncommon. The corporate sector in the region has a clear understanding that the poor are a market to be served, not only subsidised. Daniel Izzo, the co-founder of Vox Capital, Brazil's most prominent impact investing firm worked for 12 years in marketing and business development positions at Johnson & Johnson and other corporates, which brought him into contact with business networks, strategies and realities for serving the bottom of the pyramid. At Johnson and Johnson, he helped develop a door-to-door model that would generate income to local community women. While distributing information on health issues with material developed by the company, these women also acted as product representatives. Now, one of Vox's key investee companies is Plano CDE, a market intelligence company specialised in understanding the lives and the consumption dynamics of the base of pyramid population in Brazil, and in helping corporates developing possibilities to convert them into business and relationship opportunities.

As Southeast Asia develops its own forms of increased pluralism, it is likely that the corporate sector, having vested much of the human and financial capital of the region, could play a similar role in accelerating the new philanthropy sector. It should also be noted that in Latin America, the traditional channels of development finance seem to have done a relatively good job of integrating with and stimulating the new forms of private philanthropy. The study cited was co-sponsored by the Inter-American Development Bank (IDB) for example, and the IDB has a dedicated Opportunities for the Majority (OMJ) initiative supporting base of the pyramid impact investments across the region, investing in Brazil's Vox capital among others. What is interesting is that the OMJ initiative has abandoned the bank's traditional approach of developing project specific metrics, and instead initiated a uniform series of impact metrics based on impact investing's emerging IRIS standards. This integration creates a seamless platform for public and private co-financing. Similar efforts are underway in Asia, through the Asian Development Bank's Inclusive Business Initiative. As Bart Edés, Chair of the Social Development and Poverty Community of Practice at the Asian Development Bank told us:

> I would agree that, in Asia, there are fewer endowed foundations and well-capitalised family offices that are field-builders in impact investing than one finds in the United States. Corporates, SMEs and sector-specific sources of funding will be important, but these will be supplemented by other sources, including incubators, venture philanthropy, high net worth individuals, and bilateral and multilateral development agencies.

INDIA—SOCIAL INVESTMENT SUPERPOWER

India is already achieving superpower status in at least one dimension—in the development of engaged philanthropy through venture-like approaches and impact investing. Part of this stems from a historical context in which philanthropy from the likes of the Tata and Birla families has played a distinctive and widely-recognised role in nation-building, as a recent report by UBS and London School of Economics makes clear.[21] An often unspoken factor is widespread despair at the inefficiency of government in India at national, state and local levels in providing basic goods and services to its population. Overall, India represents a fertile ground for social investment approaches because of its huge addressable market living in or close to poverty, its abundant human capital at different educational levels and an established entrepreneurial culture, cognizant of the success of the microfinance sector. In addition, it is the genuine network of like-minded individuals and organisations including Aavishkaar, Dasra and Villagro, which have grown the social investment space together, benefiting to a considerable degree from early stage foreign support and investment.

Despite recent problems, the growth of the microfinance movement in India and across South Asia has provided conviction to the view that socially-driven enterprises can bring change at scale often profitably – views which are reinforced by the influential writing of Indian business academics such as C.K. Prahalad and others. Similarly, there is already enough of an extant record of impact-like investments in India for the key market dynamics and time horizons to be understood by a significant number of sophisticated investors. As critically, there is enough of a track record to start to understand what exits and enterprise valuations should look like in this sector. For example, one impact investing firm in India, Aavishkaar, was set up in 2001, and by 2007, it had investments in 14 enterprises, nine of which were generating significant revenues. These investments were at a modest scale, at around USD 50,000 deal size on average, but they created a vital evidence base for later, larger funds and investments by Aavishkaar and others. Alongside experimentation with investments on the ground, India also saw the early growth and development of effective intermediaries.

Intellecap, a strategic consultancy and financial advisory firm focusing on social impact, which was established in 2002, now has 80 employees as well as a knowledge base of more than 250 engagements. It also runs the Sankalp social enterprise forum with 10,000 members. Dasra, a philanthropy consultancy, was established in 1999, and it moderates a significant annual philanthropy forum, engendering giving circles of engaged donors around key thematic issues, highlighted by bespoke research on issues and solutions, in a model similar to Inspiring Scotland. These platforms in India are complemented by networks supported by the global Indian diaspora, which both promote global best practice in engaged philanthropy in India, and expose India's social enterprises to potential investors globally. These kinds of exchanges act as a spur for innovation. One example would be the Artha Initiative, a London-based platform, which offers an invited group of institutionalised social investors not only a discreet set of impact investment opportunities, but a mechanism to syndicate, thus sharing the costs of, due diligence, reducing the sector's high transaction costs. As Dr. Audrey Selian, Director of the Artha Initiative told us, "In general, we want to stop the silly but oft-repeated phenomenon of social motivated investors spending (directly or in-kind) the equivalent of USD 50,000 to invest USD 50,000."

CHINA—WAKING UP TO SOCIAL INVESTMENT MODELS

China provides an interesting counterpoint to the well-documented rise of social enterprise social investment models including microfinance in India. For a country of 1.3 billion and a rapidly growing economy, the social sector as a whole remains in its infancy. This shortfall is derived from the historically dominant role of the state in economic activity and social provision. In addition to some cultural contiguity with the countries of Southeast Asia, China thus provides a very relevant case study for countries in the region, where the government either explicity or implicitly plays a leading role in economic life.

Broadly speaking, social enterprise and impact investing are currently at the same stage of development in China as in Southeast Asia. In China, however, the sector is now experiencing rapid growth, with the endorsement and often the material support of the government. As China's "iron rice-bowl" yields to the uncertainties and inequalities of a mixed economy, governments at national, provincial and city levels, are looking to stimulate social enterprise, supporting the twin-policy goals of diversifying economic growth away export-led manufacture, whilst at the same time fostering the creation of a new social safety net. Social enterprise and impact investment models have a relatively clear field in China, given the historic lack of capacity and development of the conventional philanthropy sector outside some government-organised NGOs or GONGOs. Similarly, the numbers attached to social problems in China are so large that sustainable solutions offer the best approach to bring solutions to scale, short of massive government intervention. (For example, China has no fewer than 40 million "left behind" children in the countryside, whose parents are working as migrants in the cities.)

As elsewhere, the early stages of development of the sector in China relied on foreign organisations and investment, and progress remained slow, and activities small-scale. Now, in contrast, the social enterprise and impact investing sectors are accelerating rapidly, as domestic sources of finance and expertise have emerged. Sectors of interest include provision of care for the elderly, rural development and adoption of clean technology. Funders in China now include private foundations, social investment private equity funds, and government resources supporting social innovation, principally in China's major cities. In 2012, for example, the Shanghai Bureau of Civil Affairs and a related government foundation provided CNY 5 million in support to establish the Shanghai Community Venture Philanthropy Fund.

As a 2013 report from leading Chinese universities makes clear,[22] social enterprise models in China benefit from being able to draw on a pre-existing tradition of socially-purposed businesses—the welfare enterprise. Welfare enterprises, typically employing disabled people, have existed in China since the 1950s and grew with government incentives to number more than 60,000 and employing more than 900,000 people in the mid-1990s. The legacy of the welfare enterprises provides a "point of entry" for social enterprises to become a legitimate part of the social and economic fabric in China.

Overall, three key factors relevant to Southeast Asia are now driving the development of social enterprise and impact investing in China: (i) the importance of a collaborative relationship with government; (ii) the development of domestic pools of capital and intermediation reflecting local needs and priorities; (iii) the legitimisation of new models and approaches through their placement in the context of existing Chinese traditions of socially engaged businesses.

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INDONESIA

Indonesia is home to 247 million people, half of Southeast Asia's population spread across a hugely diverse archipelago. Despite recent economic growth, many households still live only slightly above the official poverty line, and the country's difficult geography as well as administrative issues make the provision of basic services challenging.

The country has attracted a number of international venture philanthropists and impact investors seeking ways to address these challenges in Southeast Asia's largest addressable market. To date, however, they have had difficulties in finding viable social investment vehicles. Indonesia's social sector is handicapped by a rudimentary ecosystem and weak networks. Domestic philanthropy is under-developed, mostly deploying traditional models. Apart from a handful of domestic foundations that appear to be leapfrogging traditional charity to embrace impact investing, strategic philanthropy is still in its infancy.

More positively, leading corporates are starting to provide longer-term sources of social investment capital. Such corporate initiatives are driven in part by government-mandated corporate social responsibility (CSR) benchmarks, but they are also the result of the increasing need to demonstrate good corporate citizenship as Indonesia's shift towards democracy becomes entrenched. Similarly, the largest collectors of *zakat*, the Islamic tithe, have taken their first steps towards professionalising their organisation to focus on the impact of this huge funding stream.

A LARGE ADDRESSABLE MARKET RIPE FOR SOCIAL INNOVATION

Since the economic and political crisis of 1997, Indonesia has witnessed an average of 6 percent to 7 percent annual GDP growth. In 2013, according to BKPM – Indonesia's investment board, foreign direct investment totalled IDR 270 trillion,[1] with growth of 15 percent targeted for 2014. The country is the fourth most populous country in the world, and the headlines celebrating the country's economy obscure the fact that Indonesia's growth has not been the most inclusive.

- Despite impressive gains on paper in reducing poverty from 60 percent of the population[2] in the 1970s to 12 percent[3] in 2012, and achieving a lower middle income country status, around half the households are clustered around the monthly income poverty line of USD 22.[4] According to the latest review of the Millennium Development Goals (MDGs), Indonesia is 4 percentage points[5] below the regional poverty average.[6]
- Economic inequality is rising. From a 29 on the Gini index in 1999, the country was shy of the social-instability 40 mark by only two[7] points in 2011.

DECADES LOST TO AUTHORITARIAN RULE

Indonesia's history after independence hampered social and economic development. It was only in the late 1990s—almost half a century after Dutch colonisers had left—that the country started to make significant progress towards democracy. Indonesia suffered two decades of authoritarian rule under Sukarno, during which the economy stagnated and poverty became entrenched. Soeharto followed in the late 1970s and ushered in the "New Order," opening the country up to foreign investment and deregulation in the 1980s. The country began to see some measure of economic and social progress. Soeharto, however, quashed political opposition, and endemic corruption hollowed out the country's fledgling institutions. The East Asian economic crisis from 1997 to 1998, coupled with a severe drought, proved to be a trigger for considerable civil unrest and long overdue change. Soeharto was overthrown, and the new political regime initiated a new social and economic order.

COUNTRY CELEBRATES ENTREPRENEURSHIP

Both state and private players play significant roles in Indonesia's economy. Indonesia is a major oil producer with national oil companies such as Pertamina and global players such as Chevron seeking to jointly produce 1 million barrels a day by the end of 2014. Indonesia is the world's biggest producer and consumer of palm oil, providing almost half the world's supply, yielding USD 18 billion in exports in 2012. The palm oil industry in particular in recent years has seen significant wealth accumulated in private hands in Indonesia. Around 140 state-controlled enterprises[8] control a fifth of the economy and dominate energy, power and agriculture sectors. Legislation mandating CSR contributions is targeted at the extraction sector in particular. Entrepreneurship and capitalism are celebrated in the mainstream national conversation and both the government in its development plan as well as top industrialists have invested considerably in fostering home-grown initiatives to drive the economy. In a promising trend, organisations set up to promote and support general entrepreneurship in Indonesia such as Global Entrepreneurship Program Indonesia (GEPI) and Kinara, are also actively engaging with social entrepreneurs.

SHIFT AWAY FROM AGRICULTURE LEADS TO DEVELOPMENTAL CHALLENGES

From nearly 20 percent of GDP in 1999, agriculture, which was the main driver in reducing poverty, dropped to 14.4 percent.[9] The key reasons why farming and fisheries have stagnated are: falling productivity,[10] geographical isolation and poor access to agricultural extension services, markets and financial services.[11] Most interviewees talked about how connecting a country that spans around 18,000 islands is its own geographical challenge and defeats any aspirations of reaching national scale. The rural-urban divide[12] is worsened by the remoteness of islands, and poverty is most severe in the remote eastern islands of Indonesia, where 95 percent of people in rural communities are poor."[13]

Poverty and lack of opportunities have forced a steady stream of farmers and fishing families in rural areas to migrate. The urban population has swelled from 36 percent in 1996 to 51 percent in 2010.[14] 68 percent of Indonesians are employed in the informal economy[15] with low pay and no access to social security.[16] Livelihood generation is the largest need and perhaps the biggest opportunity for the social sector.

INDONESIA LAGS BEHIND OTHER MIDDLE-INCOME COUNTRIES IN DEVELOPMENT SCORECARD

The quality of Indonesia's public services (healthcare, education, water & sanitation, and infrastructure) is well below the standards normally enjoyed by other middle-income countries. The International Fund for Agricultural Development (IFAD) points to high rates of child malnutrition and maternal mortality,[17] and inadequate access to education, safe water and sanitation among poor communities. In Indonesia's remote eastern islands and provinces, access to basic healthcare for the population remains a serious challenge. With the leadership of Indonesia's former President Soesilo Bambang Yudhoyono of the UN process shaping the development of the global post-2015 agenda, core development issues may become more prominent in Indonesian political and social life, and more "licence" will be granted to innovators seeking to bring new approaches to address these issues, rather than the centralised, bureaucratic approaches which have been tried, and have to date largely failed.

NPO SECTOR, PREVIOUSLY WEAKENED BY POLITICS, NOW COMING INTO ITS OWN

Civil society in Indonesia has two distinct periods divided by the year 1997 when Soeharto's regime fell. In the first period, civil society was curbed politically and disorganised, delivering only basic social services. After 1997, with civil rights formally restored, civil society in Indonesia has exploded with "tens of thousands of organisations"[18] covering every possible public issue.

Indonesia saw its first non-governmental organisations (NGOs) in the early 1970s, sanctioned by the Soeharto regime in response to specific social needs. Even though the economy started growing at 8 percent under Soeharto, widespread poverty made the government see the value of NGOs as implementation partners of its development agenda.[19] These development NGOs, as they were called, were tightly regulated to implement only government-approved development programmes and insulated from any civil rights or democratisation activities. Most of them were funded by the government and relegated to a single issue or group, such as women, farmers, and sailors.[20] At the same time, a rash of *yayasan* or foundations became a tool for the powerful, existing within or linked to the establishment to launder money or raise funds for major military business groups.[21] This led to a crisis of trust and transparency that persists till today. In the 1980s, direct development aid to nonprofits via international foundations or INGOs, and further demands by the government led to a near doubling of officially registered NGOs to 3,251 in 1989.[22] Foreign funding, though tightly controlled by Soeharto, helped NGOs develop a political orientation and these were key in supporting the opposition in the last decade of Soeharto's rule, culminating in his overthrow.

FOCUS ON COMMUNITY DEVELOPMENT

After 1997, civil society in Indonesia flourished, enjoying considerable freedom of expression and engagement. The true extent of the nonprofit sector is unknown as many do not comply with legal registration requirements. The main thematic categories of nonprofits are i) community development (including health and social services, infrastructure development, education and economic development), ii) human rights, iii) environment management and preservation, and iv) gender. Of these, community development is the largest area of focus,[23] with most NPOs filling gaps in essential social services. NPOs have made efforts to organise, reform and police themselves but they still have a long way to go. As international aid is redirected to poorer countries, there is an urgency to find local sources of funding or turn to revenue generation. However, NPOs are not immune from criticism within Indonesia. They are often seen as centralised and urban, thus disconnected from the rural grassroots. Or else they are viewed as elitist with overweening influence by the founder, strapped for talent, fragmented as a movement, and lacking in accountability. Most of these issues have been inherited by the fledgling social enterprise movement.

PRE-EXISTENCE OF REVENUE-PRODUCING SOCIAL ENTITIES

There are records of self-sufficient ventures in education, rudimentary microfinance, and banking to "native" traders[24] under the Dutch colonialists. Kartini School,[25] established in 1903 by the daughter of a Javanese aristocrat, provided technical training to girls with a focus on Javanese art products. The school's activities were partly funded from sales of culinary and art books. To this day, Indonesia celebrates Kartini's birthday as a national holiday.

In the 1950s, Indonesia witnessed the rise of self-help groups followed by the microfinance movement. Thirty years later, after de-regulation, Bank Rakyat Indonesia rose to prominence as a rural finance and microfinance provider. NPO Bina Swadaya led Indonesia's cooperative movement via a range of interventions such as outreach to farmers, education and micro-credit. At the turn of the century, Bina Swadaya switched its legal status from *yayasan* to a self-sustained entity of 17 for-profit companies. Its founder Bambang Ismawan gained international profile as an awardee of Schwab Foundation, Ashoka and Ernst & Young, and is often seen as the father of the social enterprise movement in Indonesia.

Lately, international NGOs such as Dutch development group Hivos and bilateral agencies such as the British Council are gearing towards self-sustaining strategies by charging clients for services. Hivos works with local NPOs to implement solutions around access to basic rights and the green economy. Having spent two decades in Indonesia, Hivos expects Dutch funding for activities in Indonesia to be reduced by half. Their biggest challenge is to manage this change internally—helping employees transition from an aid-dependent to a sustainability mentality.

CURRENT STATE OF PHILANTHROPY

A 2000 survey[26] conducted of 25 grant making organisations in Indonesia found that 65 percent of their funding comes from foreign sources. From interviews across the board, it is clear that, since then, foreign grant funding for development has been shrinking at a rapid pace, particularly after the global economic crisis in 2008. However, domestic philanthropy is not yet at a stage to fill the funding gap. Not only is domestic institutional philanthropy underdeveloped[27] compared to the rest of the region, strategic and social investment approaches to philanthropy are in their infancy.
A review of existing literature and interviews presents domestic philanthropy in Indonesia where giving is a daily phenomenon as follows:

- As in most of Asia, Indonesia has a deep-rooted historical tradition of volunteerism and mutual assistance in communities. Called *gotong royong* here and in Malaysia, it can still be witnessed in Javanese villages prompted by projects dealing with natural disasters or related to community assets, weddings, rice plantation or dealing.[28] The tradition to help out is well and alive, and according to the Charities Aid Foundation's (CAF) World Giving Index,[29] it is actually strengthening with each passing year. CAF'S 2012 survey has Indonesia in the top 20 countries in the World Giving Index.[30] It is third in the world with 52 million people volunteering time.[31]

- Although at an impressive fourth position in the world on CAF's index,[32] for the 110 million people who gave to charity in 2012, the reality is that "the bulk of philanthropy in Indonesia is driven by individual donations which tend to be ad hoc and unstructured."[33] According to one survey, most donations[34] are made to individuals including beggars (87 percent), relatives (67 percent) or victims of calamities or crime (44 percent). Donations to religious organisations are the predominant mode of giving.

- With Indonesia being home to the largest Muslim population in the world, the Islamic tradition of *zakat*, an annual charitable donation of a percentage of wealth is the single largest form of institutional giving in the country.

- Indonesia is an early mover in institutionalising a CSR law; however, weak implementation is slowly negating the win for the social sector.

- Perceptions of corruption in the NPO sector, as well as of limited capabilities, remain the largest roadblocks to sourcing funds from institutional philanthropy.

For the purpose of this study, we focused on the largest and most promising pools of domestic philanthropy: religious, high-net-worth family foundations and corporate philanthropy. Apart from these sources, a trend that we don't explore in detail is that of "media philanthropy" born after the Asian tsunami. Both print and electronic media have managed to raise significant sums of aid, and some programmes[35] have actually been spun off into NGOs. But first, a look at an ODA trust fund, which is similar to the public foundation initiatives in the Philippines, and considered to be one of Indonesia's best examples of strategic philanthropy.

INDONESIA'S EXPERIENCE OF SETTING UP A PUBLIC TRUST FUND

Similar to the Philippine experience with running endowed public foundations, Indonesia had its own public trust fund from 1997 to 2006. A consortium of 27 Indonesian NPOs and overseas development assistance (ODA) agencies conceived a trust fund as a non-governmental response to address poverty in a country devastated by the economic crisis. The crisis had pushed poverty levels from 14 percent in 1996 to 40 percent of the population in the span of a couple of years.[36] The Community Recovery Program (CRP), an Indonesian grant-making foundation managed by national civil society leaders, was set up in 1998 to raise and manage ODA assistance to communities. The UK, Sweden, the Netherlands and New Zealand pledged USD 25 million to set up the fund which was administered by United Nations Development Programme (UNDP) and money was disbursed to 28 CRP regional offices. CRP mobilised an extensive network of grassroots NPOs and community-based organisations (CBOs) capable of providing rapid, well-targeted assistance to poor households all over Indonesia.[37] Strengthening disadvantaged communities was at the heart of CRP's mission and the foundation supported projects in food security, job creation and income generation, and basic social services such as the provision of clean water and educational scholarships.

In an evaluation by Synergos,[38] CRP was found to be a leading example of strategic philanthropy in Indonesia in the way it disbursed available funds. It shifted from welfare grants to more long-term funding to empower community organisations to tackle root causes of poverty. Similarly grants were replaced with revolving loans for sustainability. CRP deployed multi-stakeholder approaches, decentralised decision-making to empower communities and undertook transition from disaster recovery to social justice.

In 2004, CRP was renamed as Association for Community Empowerment (ACE) to reflect its new focus on grassroots empowerment while its extensive network of NPOs continued to work on livelihood issues as well as fulfilling the country's MDG mandate. The CRP model depended on ODA for funding, and despite its widely accepted success, no sustainable funding model was found to continue CRP's work once the original donations had been disbursed, nor was its praised operating model replicated in other areas. The CRP Trust Fund was dissolved in 2006 after the disbursement of USD 23.5 million.

CONSERVATION FUNDS

In the field of conservation, there have been a range of efforts to establish pools of capital sourced from levies on the private sector, ODA, or debt-for-nature swaps. These funds are focused on specific forests or regions in Indonesia and the direct beneficiaries are mostly state institutions. Examples of the funds include the Indonesian Reforestation Fund, Tesonelo NP Trust Fund, Heart of Borneo Trust Fund, Yayasan Kehati (the Indonesia Biodiversity Foundation), Indonesia Climate Change Trust Fund (ICCTF), Cenderawasih Conservation Fund and West Papua Conservation Fund. A snapshot of two funds – Indonesian Reforestation Fund and Yayasen Kehati is as follows:

Table 1: A Snapshot of Two Conservation Funds

Fund	Financing	Governance	Focus	Challenges
Indonesian Reforestation Fund (IRF) Established in 1989	• Financed by regular revenues (levies) from private sector – volume-based levy by timber concessionaries. • From 1989 to 2009, (nominal) receipts of approx USD 5.8 billion, making it the single largest source of government revenues from Indonesia's commercial forestry sector.	• IRF governed by Ministry of Finance, with significant input from Ministry of Forestry. • During the Soeharto period, large sums of money were mismanaged due to fraud, diverted to other uses, or wasted on poorly managed projects.[39] During the post Soeharto period, the government has taken steps to improve accountability and transparency in the management of the fund .	Support reforestation and the rehabilitation of degraded lands and overlogged forests; direct beneficiaries are state institutions.	Key challenges[40] for IRF remain local level capacity to administer finances and technical capacity.
Yayasan Kehati (the Indonesia Biodiversity Foundation)[41] Established in 1994	• The grant from the US Government was given in the form of a USD 16.5 million[42] Endowment Fund that was invested in stocks and bonds through the capital market. • The return of the investment (approx USD 17 million) was used for funding the grant programmes executed by KEHATI's partners.[43] • It has also developed a KEHATI Mutual Fund (Reksadana KEHATI Lestari or RDKL) and KEHATI Sustainable and Responsible Investment Index (KEHATI SRI Index). • Besides the public markets, KEHATI has initiated a grassroots fundraising campaign as well as tapping HNIs and the corporate sector for funds.	KEHATI is an independent foundation, governed by a Board of Trustees composed of 21 distinguished Indonesians, representing scientists, academics, NGO leaders and the business community.	KEHATI acts as a catalyst to invent innovative ways in conserving, managing and utilising the Indonesian biodiversity sustainably. KEHATI works with the central and regional government, business communities, universities, NGOs/ Local Community Organisations, professional associations and the media.[44] KEHATI's support can be offered in the form of grants, expertise and consultation.	Monitoring and evaluation are an area that KEHATI has worked to improve: it has moved from process-oriented evaluation of project completion to outcome or impact measurement.

RELIGIOUS PHILANTHROPY: BIGGEST SOURCE OF DOMESTIC FUNDS

Indonesia is home to the world's largest Muslim population, and religion affects all spheres of life in the archipelago.[45] Though Islamic philanthropy includes *sadaqah* (voluntary charitable acts which could be monetary or in-kind) and *waqaf* (philanthropic endowments for the welfare of others), for the purposes of this paper we will focus on *zakat*, the form of contribution that is mandatory for all practising Muslims with the capacity to give. *Zakat* is calculated as a percentage (approximately 2.5 percent) of disposable wealth across different asset classes, and is normally contributed during the month of Ramadan. In 2011, the recorded contributions to the national *zakat* collector institution reached USD 180 million or IDR 2.1 trillion,[46] by as much as a 40 percent increase from the previous year.[47] It is estimated that the true annual *zakat* amounts through all channels are significantly higher and the full potential of *zakat* may be up to IDR 217 trillion or USD 18 billion,[48] or 3.4 percent of Indonesia's 2010 GDP.

In its current state, the system has a long way to go before it can be considered a credible source of finance for strategic philanthropy. Apart from traditional or institutionalised Islamic organisations, the government is particularly involved in *zakat* collection and management at the federal and provincial levels. The money is directed towards maintaining religious institutions, in particular mosques and madrasas, as well as alms and disaster relief. According to the UBS study on family philanthropy, *zakat* collectors may be "perceived as self-serving and in some cases corrupt."[49] This perception is slowly beginning to change largely due to the emergence of NGOs that are run professionally and have expanded *zakat*'s use to fund public welfare[50] via nonprofit as well as revenue-generating models. "Institutions such as LAZ Bank BNI and Dompet Dhuafa collect *zakat* from wealthy Indonesians[51] to fund causes such as the advancement of education (including religious education), health and welfare." Two organisations, Dompet Dhuafa and Rumah Zakat, were repeatedly cited in interviews as pioneers in this space for aspiring to international governance standards, and for laying the groundwork for strategic and venture philanthropy. Their effectiveness has put them in the media spotlight and turned them into the largest collectors of *zakat*.

Rumah Zakat: A 16-year journey in professionalising religious donations

Focus: Programmes that address MDGs through venture philanthropy

Rumah Zakat is the second largest *zakat* collector in Indonesia, and it is seeking to transform this sector by proposing a new paradigm of giving that is in line with the country's needs. Founded in 1998, the organisation had set up 49 offices by 2009. It focused on developing IT systems to manage capital early on. In 2007, it launched Integrated Community Development (ICD)—a one-stop shop for delivery of education, health, youth training and empowerment of community-based integrated economy. In 2009, its activities were re-oriented to focus on improving the Human Development Index (HDI) of Indonesia with a particular focus on education and health.

Its officers use the MDGs and HDI to target areas of action and its mission includes facilitating "society independence". Rumah *Zakat* funds traditional charities as well as non-charity programmes supporting SMEs such as bakeries, corn farmers, and catfish farmers. Among the organisation's influencers is Erie Sudewo, one of the founders of Dompet Dhuafa (Indonesia's largest *zakat* collector), a champion of social entrepreneurship.

Rumah Zakat also intends to use *zakat* to provide venture capital for social entrepreneurs who do not have access to financing with an aim to ensuring sustainability of social programmes. Rumah Zakat significantly invests in IT and operational management to boost transparency and efficiency. It uses market-based language in accessing new channels of donations and facilitates ease of donation through technology. For programme delivery, it has forged partnerships with the Ministry of Social Welfare, corporate houses, other NGOs and international agencies including cooperation with the Islamic Development Bank to distribute scholarships to students abroad.

The organisation counts fostering trust among donors as its continuing challenge. "… there are still many people who prefer to distribute *zakat*, donation, or donate directly rather than left to the amil (collectors). Perhaps they are more satisfied." Pointing to the more efficient use of *zakat* when channelled by professionals who emphasise accountability, Rumah Zakat's officers say they are turning the tide of public opinion, citing the growing donations from year to year.

In 2012, it had recorded yearly revenue of IDR 177.8 billion (USD 15.2 million). With a total of 120,655 donors and 1.5 million beneficiaries, Rumah Zakat has established and now manages 13 schools, 7 maternity homes, 48 midwife maternity services, 19 mobile health prevention units, a clinic, 39 free ambulance services, 138 integrated community development centres, and 33 community centres.

HIGH NET WORTH INDIVIDUALS (HNWIS)/ FAMILY FOUNDATIONS

The family foundations of Indonesia emerged with wealth generated in the 1970s or 1980s, and they typically supported traditional children-focused charities such as orphanages or agencies that organised surgery for needy children. Since then, private wealth in Indonesia has grown with the country's largest conglomerates owned by families, and this wealth continues to grow exponentially: In 2010, the number of HNWIs jumped 23.8 percent and it rose another 8.2 percent in 2011.[52]

The country's biggest companies are owned by families, and members of these families continue to manage corporate foundations. The Tahir Foundation, Mien R. Uno Foundation, Putera Sampoerna Foundation, Ciputra Foundation, Eka Tjipta Foundation, Arsari Djojohadikusumo Foundation and Tanoto Foundation are among the key local family foundations.

Their focus remains mainly on education and health, and compared to their counterparts in the rest of Southeast Asia, Indonesian family philanthropists give the maximum to religious causes (7 percent vs the regional average of 2 percent[53]). The recipients are not only Muslims, but also Christian, Buddhist and other non-Islamic groups, reflecting the diversity of Indonesia's ultra high net worth families.

Asian philanthropists are passionate about education because they view it as the most effective and sustainable strategy to lift an individual and his/her family out of poverty.[54] In Indonesia, billionaire Dr. Ir. Ciputra is championing the development of enterprise culture among Indonesians via education and training at university as well as public access courses for the broader population. The Uno family best shows how an established family foundation can undertake generational change and embrace social investment approaches. Under the leadership of Sandiaga Uno, the foundation has launched a sustained effort to nurture social entrepreneurship by backing capacity building and incubation as well as launching a fund.

Tahir Foundation's innovative financing for multi-sectoral initiatives

Dato Sri Dr. Tahir, Chairman and Chief Executive of the Mayapada Group, became the country's first billionaire to sign the Giving Pledge[55] in Indonesia. Tahir Foundation, a privately-funded family charity, has supported education, health and community services in Indonesia. Working with Gates Foundation on its first major private donor partnership in the country, Tahir Foundation pledged USD100 million to the Global Fund to fight AIDS, TB and Malaria; family planning and polio-eradication. At USD 65 million, it was the largest investment by a private foundation in an emerging economy to the Global Fund. Gates Foundation matched this contribution. Subsequently, Tahir took the lead[56] in sourcing local philanthropic capital to establish a new USD 80 million Indonesia Health Fund. Tahir enrolled eight[57] other Indonesian conglomerates and philanthropists to pledge USD 5 million each. Gates Foundation matched the funds, and Tahir is convinced this unique financing initiative will further promote philanthropy in Indonesia.

Putera Sampoerna Foundation

Established in 2001, the Putera Sampoerna Foundation (PSF) provides a striking example of strategic and entrepreneurial approaches being embraced by a family foundation. From its inception, PSF has combined strong family involvement in governance and leadership with professionalisation of execution. The foundation has a clear "theory of change," built around strategic investment in four pillars—education, women's empowerment, entrepreneurship and compassionate relief. A key goal is to address the lack of educational and economic opportunity for Indonesia's poor and disadvantaged youths from school to livelihood. PSF supports institutional access for students to education through scholarships, exchange programmes and loans, and its own network of academies and tertiary colleges. At the same time, PSF supports capacity building through support for educational certification, and teacher training.

What sets PSF apart is not so much what it does, but rather how it goes about achieving its goals. Far from being a traditional grant maker to third party implementers, PSF takes a very active approach in venture philanthropy to shape its initiatives with multiple partners. For example, PSF invests heavily in creating real and virtual communities, such as its MEKAR Entrepreneur network. Pulling Silicon Valley expertise into the foundation, the team fashioned a "matchmaking" service introducing angel investors with entrepreneurs. After its launch in 2011, with an initial outreach to 300 to 400 investors, 30 proposals were funded. Aiming for greater scale, in its second year, the team came up with the idea of building a peer-to-peer online lending platform offering entrepreneurs loans for three to 12 months. Mekar worked with cooperatives and microfinance institutions (MFIs) to develop selection criteria and a screening process for borrowers. From 2013 to 2014, Mekar recorded 1,200 repayments over the period of one year with 0 percent non-performing loans. The team has now introduced an auction-based secondary market where lenders can trade loans, providing them with a means to exit and monetise their investment.

Unlike many private foundations, PSF seeks to leverage its impact through an open, networked approach. Among many partnerships, PSF joined with USAID to develop Indonesia's first student loan programme. The commitment to transparency and accountability allows PSF to successfully fundraise among corporates, and to date has received more than USD 70 million from over 250 corporates to supports its activities. Ultimately, PSF sees itself as a social enterprise.

Most interviewees, however, suggest that the innovative approaches of Sampoerna Foundation are an exception rather than the rule, with most family foundations still reluctant to install professional management.[58]

CORPORATE PHILANTHROPY/CSR

Early CSR came in response to public pressure

During the three decades of Suharto rule, the corporate sector virtually had no meaningful civic engagement in Indonesia. Following the Nike and Levi Strauss labour scandals in the 1990s, MNCs began to come under international civil society pressure and started undertaking corporate philanthropy. MNCs in the extractive industries also came under increasing pressure both globally and within Indonesia to be seen as making effective contributions to social development in the communities in which they operated. Chevron, for example. has supported the national TB programme in partnership with the Ministry of Health and the Global Fund. As the economy soared after the Asian Economic crisis, and corporate profits made headlines, several corporate foundations were established. Anand lists the more well-known among them:[59] Yayasan Dharma Bakti Astra (or better known as YDBA), Yayasan Rio Tinto, Djarum Foundation, Yayasan Unilever Peduli, Coca Cola Foundation Indonesia and Putera Sampoerna Foundation.

To mitigate negative public perception

Particular mention should also be made of the emergence of CSR in the rapidly growing palm oil industries. The Roundtable on Sustainable Palm Oil created standards that have been adopted at least as targets by major palm oil groups in Indonesia, which were driven by the imperative to maintain access to global markets for palm oil. Golden Agri-Resources Ltd, owned by the Tanoto family, has committed to RSPO certification for the roughly 500,000 hectares of palm oil plantation it controls in Indonesia, with a significant percentage already having achieved this status. Alongside environmental sustainability, palm oil groups are also increasingly seeking to address community development issues in the areas in which they operate, through corporate or family foundations. The Tanoto Foundation, for example supports local communities with training and livestock for animal husbandry, along with support for new village-based SMEs.

Mandatory CSR began in the extractive industries

The real trigger for domestic companies to begin looking at CSR was in 2007 when Indonesia enacted a law that mandated LLCs in oil, gas and mining sectors to invest 2 percent of their profits in CSR programmes. With these sectors accounting for nearly 11 percent of GDP,[60] on paper, this should have resulted in billions of dollars being diverted to Indonesia's social development. In practice, with no clear enforcement mechanisms, the law remains effectively voluntary in nature. Even if it were enforced, it is questionable whether the quantum of the CSR funds that would be available could be effectively absorbed by Indonesia's social sector without some significant planning and assistance. Interviews reveal that even voluntary CSR funds may be "returned" to the core business, as companies report that they do not find sufficient programmes to invest in.

Bob Kamandanu, Chairman of the Indonesian Coal Mining Association, has called for greater co-operation among companies to deploy the funds. He has said that each of 200 to 300 mining companies have their own earmarked CSR funds and for CSR to be truly transformative there is a need for programmes at national scale.[61]

Civil society cynics point out that companies have embraced opportunities for good PR against the backdrop of burgeoning profits. There is, in fact, scant evidence of strategic philanthropy by companies in Indonesia except for an early example in the Body Shop. Bindu Sharma's CSR report[62] finds "Indonesian companies, as elsewhere, face limited expertise in the field of CSR." Conversations with ecosystem players suggest that companies are increasingly subcontracting their CSR obligations via existing NGOs or social enterprises such as YCAB or Satoe Indonesia. From an early reading of the situation, third-party CSR contracts with NGOs are a potential source for filling the vacuum left by foreign grant money. But as things stand, Anand's conclusion is that corporate philanthropy is a limited share of the growing domestic philanthropy pie and it is not seen as a sustainable revenue source by NGOs because corporate support is "sporadic."

An early, yet very influential, example of strategic CSR can be seen in The Body Shop's co-founder in Indonesia, Suzy Hutomo. In the early 90s, Hutomo seeded many social enterprises in her individual capacity without really having any idea about social entrepreneurship at the time. "I provided a market for them," she said of these entrepreneurs who ended up supplying The Body Shop with bags and baskets at the time. "I did not give seed money, or organisational support. If somebody needed help with machines, I bought 10 and did not expect a return."[63]

Hutomo's motivation was to bring benefit to the entrepreneur and at the same time add value to Body Shop by incorporating the social enterprises into its supply chain. "Business can bring about change among people; it is their own responsibility to look after their interests... I believe in people. My husband does charity; I prefer that people find themselves."[64] Today, Hutomo is a public advocate for social entrepreneurship at national and international forums, a judge for a women entrepreneurship challenge, and a mentor for several entrepreneurs.

Her experience with social enterprises was that the entrepreneurs lacked streetwise attitude, and she grappled with various issues: "How do you change that, how to introduce efficiency, how to scale, how to lower overheads? The entrepreneurs, they don't look at the capital aspect, it is easy to do ten pieces, but what after that—is the hard part."

STRATEGIC PHILANTHROPY

Inspirasia – building capacity for nonprofits

Inspirasia in Bali is a memorial foundation established in memory of Annika Linden who died in the 2002 Bali bombings. It was set up by her family and friends. Headquartered in Bali, the Foundation followed a traditional charity's approach of writing a check, one visit in a year, and a report by the grantee, until 2010. A meeting with Dasra of India helped bring about a rebranding strategy and an overhaul in its giving strategy.

The Foundation now seeks to effect sectoral change through long-term partnerships with small NPOs working in the areas of health and education. After a pre-intake assessment, the foundation provides initial funding of up to USD 25,000. The investee is monitored closely over 12 months to understand the organisation's strategy, which is then followed by a bigger round of funding and hands-on support. In 2011, USD 600,000 was disbursed to six partners. Impact assessment and financial reporting is a key part of the foundation's engagement with an NPO.

The founder has also set up a social enterprise called the Annika Linden Center in Bali. The centre is an incubator for high-impact NPOs, a professional consulting service for social enterprises and philanthropists, and a multi-stakeholder hub for knowledge sharing. The first two activities generate revenue. NPOs receive funding, donor-funded working space, a shared platform of operational support (e.g., finance manager), and critical networking connections with potential national and international partners. The centre also has a particular focus on issues related to disabilities; it has hosted coordination meetings for disability NPOs, USAID meetings, and an MDG breakout on disability. D-Rev, a nonprofit company that develops base of pyramid products, has tested prosthetics at the centre.

Inspirasia is currently working with 16 NPOs in Indonesia, Thailand and India, and aims to increase their portfolio to 25 organisations across Asia by 2016.

SOCIAL ENTREPRENEURSHIP / IMPACT INVESTING

Regional and international impact investors identify Indonesia as having the highest market potential among the Southeast Asian countries. The main reason generally cited for this is the large addressable market given a very big population, a high proportion of which does not have sufficient access to basic goods and services and live on incomes clustered around the poverty line. This has attracted international impact investors such as LGT Venture Philanthropy (LGTVP), Unitus Impact, Aavishkar, Pioneer and Grassroots Business Capital to look at establishing a local presence or developing alliances in Indonesia, while ecosystem organisations such as Endeavor, Village Capital, Grameen Foundation, and Ashoka already have operations in Jakarta; the latter two organisations have been there for several years.

However, local industry participants say that the market is still in a very early stage of development and that there is a disconnect between the size and type of deals sought by international investors and the available opportunities—there is specifically a lack of sustainable, scaleable opportunities for capital of any significant size.

Two of the most sizeable impact investments in Southeast Asia to date have been in Indonesian entities; the story of their evolution may offer some lessons for the sector.

PT Ruma

PT Ruma[65] is currently seen as the most prominent example of successfully scaling social enterprises in Indonesia. The company was founded in 2009 by two Indonesian social entrepreneurs with significant previous business experience at well-known global consulting, financial and other companies. Aldi Haryopratomo and Budiman Wikarsa set up PT Ruma as a microfranchise business model that uses proprietary technology to enable very small shopkeepers to sell prepaid airtime using SMS services and a basic phone. Successful operators were then given the opportunity to develop further services such as the acceptance of utilities bills and loan repayments, and since 2013, PT Ruma has been in partnership with BTPN (a local bank) for the execution of simple banking transactions. A relatively new component of the Ruma model is a market research/intelligence operation aimed at providing information on the middle-low income market to major companies seeking such insights.

At start-up stage, PT Ruma received significant financial, technical and incubational assistance in developing its model through grant or in-kind support from Grameen Foundation and Qualcomm. Since then it has raised two rounds of financing. The first consisted primarily of specialist investors with an interest in developing viable business models for social impact, such as Unitus Impact and Omidyar Network. The second round of financing in 2014 included existing investors, Indonesian private entities and two corporations in related businesses. PT Ruma is expected to provide risk-commensurate returns while delivering social impact, which is core to the company. PT Ruma maintains its social focus through growth by incorporating social impact targets into the company's founding articles and bylaws.

East Bali Cashews

East Bali Cashews[66] (EBC) is a cashew processing company founded in 2012 by a young American entrepreneur, Aaron Fishman, who initially came to East Bali as a health volunteer. Today the core management team consists of Aaron, a local social entrepreneur and an experienced Indonesian financial professional who has worked for a number of international and Indonesian companies, including an Indonesian venture capital firm. EBC set up Bali's first eco-friendly cashew processing facility in a village in East Bali to enhance livelihood opportunities for the community, particularly by providing jobs for women. The company currently provides jobs for over 100 women in the village, and is planning further expansion, with revenues expected to increase sevenfold between 2013 and 2018. In order to fund its expansion, EBC worked with Impact Investment Exchange Asia (IIX)[67] to approach investors through their investment platform. IIX brought in KKR,[68] a well-known global private equity firm, to help develop and draft a comprehensive business plan for East Bali Cashews on a pro bono basis, while Shujog, an affiliate of IIX, provided an impact assessment report. EBC was able to raise USD 900,000 in new funds (a combination of debt and equity) from domestic and regional investors.

EARLY CATALYSTS

Ashoka, the global network of social entrepreneurs, formally introduced the term "social entrepreneurship" to Indonesia after it set up its Jakarta office[69] in 1983. Ashoka's focus is primarily on entrepreneurs operating not-for-profit organisations; however, it introduced the idea of applying entrepreneurial vision, innovation and approach to addressing social problems.

In the early 1990s, after Suzy Hutomo brought The Body Shop to Indonesia, the discussion around social entrepreneurs and sustainable businesses picked up. Hutomo has been credited as an angel investor and mentor to ventures ranging from organic farming, a cosmetic line started by rose farmers called Wangsa Jelita, to a school for ragpickers.

The year 1999 was a watershed moment for the social enterprise concept in Indonesia. After decades of organic growth via cooperatives, Bina Swadaya made a successful transition from being a foundation supporting development and livelihoods to becoming a 97 percent self-financed social enterprise. At the time, Bina Swadaya had 17 separate companies, 900 staff, and a turnover of USD 2 million. In 2013, the group's turnover touched USD 28.6 million. A decade later, founder Bambang Ismawan's lead is now being followed by a range of nonprofit actors in Indonesia who are looking for a route to sustainability.

Veronica Colondam, who founded Yayasan Cinta Anak Bangsa (YCAB) to help prevent drug abuse and HIV/AIDS among youth in 1999, moved to a cross-subsidy model starting in 2000, providing microfinance for families enrolling their children in the Foundation's educational programmes and setting up businesses that provided employment for some of their graduates (see YCAB on page 37.)

In the meantime, start-up social business models evolved through trial and error: Provisi Education LLC, launched in 2002, went through several changes before settling on teacher training for remote schools. Telapak, a hybrid nonprofit, switched from lobbying against illegal logging to providing community-based sustainable forestry solutions. A key trigger behind Provisi and YCAB's evolution to the cross-subsidisation social enterprise model was lack of funding from outside sources as well as a strong belief in self-sufficiency.

Beginning in 2006, the Schwab Foundation brought the global spotlight to Indonesian social entrepreneurs such as Bina Swadaya – founder Bambang Ismawan, and Ambrosius Ruwindrijarto and Silverius 'Onte' Oscar Unggul – Telapak's founders. Veronica Colondam of YCAB received the award in 2012.

SEEDS OF AN ECOSYSTEM

In 2009, alongside the growing global discussion on impact investing, the British Council launched a programme to support social enterprises across several countries including Indonesia. The response to its business plan competition, held in partnership with Arthur Guinness Fund, was the first real indicator of Indonesia's potential for social entrepreneurship. For the four years it has run the competition, British Council has received 1,500 proposals. It has also worked with NPOs looking into the social enterprise model as a mode of operation. In 2013, it also began a series of workshops with around 50 NPOs titled "NGO Transformation into Social Enterprise."

Sandiaga Uno, prominent Indonesian businessman and founder of private equity fund Saratoga Capital, helped launch the Indonesian Social Entrepreneur Association (AKSI) in 2009. With around 100 members, the association was set up to provide mentorship and training services for start-ups. Uno also launched Inotek, an incubator for socially innovative tech companies that manufacture products such as cook stoves, fortified biscuits, and rice paddy threshers.

DEMAND FOR SOCIAL INVESTMENT

In the absence of surveys, the number of submissions to the British Council business plan competition is the closest proxy for gauging the interest in social entrepreneurship in Indonesia. In 2012, the response exceeded 1,000 entries for setting up community-based social enterprises.

Social enterprises in Indonesia need capital to prove their concept. In addition, they need intensive mentoring, training and incubation to get them investor-ready and access suitable investors. The average range of patient capital requirement is far less than other developed social finance markets: USD 15,000 to 50,000. There are very few social enterprises with potential scale and scope to absorb larger amounts of capital. PT Ruma is the best-known social enterprise in Indonesia but it is an exception.

There are also NPOs that need long-term grant money to fund their expansion. Rachel House, a nonprofit palliative care service for children in Jakarta, is leading a multi-sectoral initiative to scale up its influence and exploring a scaleable "clinic in a box" model that is affordable, self-sufficient, and based on a simple operating model. Founder and

Ashoka Fellow Lynna Chandra is looking at CSR budgets to finance next stage of growth for Rachel House.

Indonesia Mengajar, launched in 2009, is based on the Teach for America model, and sponsored in Indonesia by global companies such as PwC, McKinsey and Co, and Intel. It has become a runaway success because of high demand among leading graduates to teach at schools in remote islands of the country.

From the perspective of social entrepreneurs, the key barriers to growth are: a very small number of funds compared to the need; barely any diversity in the kind of funding that is available; and a slim chance for mentorship and capacity building.

YCAB – Innovative Financing Model

YCAB focuses on youth development, providing educational opportunities and vocational training to underprivileged youth. The YCAB Foundation runs primary drug-prevention programmes, basic education services, vocational and skill training, and internship opportunities.

YCAB has successfully used a cross-subsidisation model from 2000 onwards; sustainability was key to its survival. The foundation runs four for-profit companies that employ 300 people, mostly YCAB graduates, with an annual revenue of USD 5.5 million in 2012. In 2013, revenue funded 20 percent of its nonprofit operations. Another source of income is conditional microfinance loans to the mothers of students for entrepreneurial activities; loans are granted based on the child's attendance at school or YCAB training programmes. The biggest source of funding comes from corporate partnerships in which YCAB charges a management fee of 7 percent of deployed capital for developing and assisting corporate CSR programmes. A majority of the companies that partner with YCAB are MNCs such as Chevron, Unilever, HSBC, Standard Chartered and Samsung. A third of YCAB's CSR-sourced funding is from local firms.

Beyond its current scope of activities, YCAB plans to launch an impact-investing fund and create a social investment package aimed at corporate houses and individual philanthropists through private placement.

Set up in the year 1999, YCAB has been able to scale its reach and impact. By the end of 2013, it was operating in 18 out of 34 provinces in Indonesia with a reach of a total of 2.4 million people. It has also piloted its programme in Myanmar, Afghanistan, Pakistan, Mongolia and Uganda.

SUPPLY OF CAPITAL

Indonesia's growth story and size of market have attracted a number of funds. Both impact and mainstream investors view Indonesia as having the highest deal flow potential in Southeast Asia. However, for social investors keen on Indonesia, the first lesson has been a significant revision of strategy especially in terms of the size of investments. Indonesia's social enterprises are still in an early stage of development. Few have the absorptive capacity for the types of investment size desired by international investors, without a high level of support and capacity building in different areas.

LGT Venture Philanthropy, Grassroots Business Fund (GBF) and Indonesia-based Uno Kapital, have had to tailor their strategies to meet ground reality in Indonesia. Both LGT Venture Philanthopy and GBF have rewritten their strategy to focus on building a deal pipeline. LGT Venture Philanthopy's initial target of deals worth USD 1 million to 10 million has been scaled back to USD 50,000 and 100,000 (respectively) made through their Accelerator Program run in partnership with GEPI. GBF has funded the setting up of an incubator to help generate a pipeline of investable social enterprises. World Resources Institute's New Ventures has set up an acceleration centre for environment-related enterprises.

Uno Kapital, the country's first domestic impact investing firm was set up in 2009 to fill up the financing gap between when a social enterprise wins a business plan competition to a mainstream business investment. The fund has made eight investments in two sectors – agriculture and affordable housing, with deal sizes ranging from USD 15,000 to 200 000, consisting of 50:50 debt to equity.

In a promising new development, the Young Global Leaders network of the World Economic Forum from Indonesia, including Veronica Colondam of YCAB Foundation, are starting an initiative to form an impact investment fund combining private funds and CSR funds from some local companies.

BARRIERS TO SOCIAL ENTERPRISE GROWTH

From the perspective of fund managers, the major obstacle to growth in social investment is the fact that the social entrepreneurs do not consider scale. In addition, mentoring and capacity-building elements in the local social ecosystem are either lacking or rudimentary. Entrepreneurs require a lot of help in setting up accounting and management systems, gaining reliable access to market, and codifying governance procedures; providing such assistance is costly and time-consuming, particularly for smaller deals. A disturbingly high number of ventures carry "key-person" risk with heavy reliance on founders and no organisational planning for growth.

THE ECOSYSTEM

The ecosystem for social investment is still at a very early stage where the number of support organisations are no match for the social enterprise demand for hands-on capacity building and other professional services. However, a number of international organisations have started operations in Indonesia, and are expanding the scope of their operations. All have prominent business and societal figures on their boards, potentially important supporters and advocates of the nascent social investment system.

Endeavor Indonesia, through its selection of entrepreneurs and high-quality mentoring, plays a valuable role in creating public role models out of social entrepreneurs.

UnLtd Indonesia provides incubation and start-up capital for very early stage social enterprises. It focuses particularly on building a supportive ecosystem by advocating with the public and private sectors as well as traditional civil society. Seeking active partnerships with sector experts, the organisation highlights the knowledge and financial resources needed by entrepreneurs.

Village Capital, the US-based social enterprise incubator and investor is looking at financial inclusion and education opportunities in Indonesia.

GEPI's platform geared towards ecosystem building

GEPI was launched in 2011, backed by 13 prominent Indonesian business leaders with the intention of catalysing and nurturing entrepreneurship in Indonesia. GEPI is part of a wider global initiative by the US State Department and its mandate is entrepreneurship with a special interest in technology, social, and women entrepreneurs and investments.

GEPI's strategy has been to build a business incubator, Ciputra GEPI Incubator (CGI), with a network of mentors as well as establishing a network of angel investors comprised local HNIs through Angel Investment Indonesia (ANGIN).

Launched in September 2013, CGI's goal is to build entrepreneurial capacity by providing working facilities, mentoring, access to investments, and networking opportunities. There are currently around 15 startups incubated at CGI, two of which have obtained subsequent funding.

ANGIN's first fund, the Women Fund, focuses on women empowerment through entrepreneurship. The fund consists of 15 LPs with total investable fund of USD150,000. ANGIN invests in promising early-stage women-led businesses with investment size range of USD 10,000 to USD 50,000. It currently has a portfolio of three businesses: a social enterprise that produces natural soap, operating on fair trade with farmers, an innovative online customised catering service, and an artisanal nougat producer.

ANGIN women angels provide mentoring on a bimonthly basis and its founders are able to reach out whenever they require assistance. The investees are also provided with access to resources in CGI. Apart from giving guidance for financial planning, GEPI helps investees to pitch to investors and structure deals.

GEPI is also helping to generate awareness and bring about understanding of social entrepreneurship and social enterprises.

Investor Kinara goes back to basics: nurtures unbankable social enterprises

Kinara may be the most nimble player responding to the emerging picture of impact investment / social enterprises in Indonesia – wearing the hat of an angel investor to a capacity builder to a local partner of foreign funds.

Fund size: USD 150,000 (raised from friends and family)
Investment size: Up to USD 30,000 each; USD 10,000 being the average size of investment
Record: Currently, six companies in portfolio
Team: Four partners, two scouts (one in Jakarta, the other in Bandung), one operations manager
Target: 30 percent annual rate of return
Sectors: Not specifically targeting social enterprises, but three out of six can be categorised as social enterprises.

Social enterprises in their portfolio:

- A green business with young environmentalists making reusable bags to support an anti-plastic campaign. They have a new business line of waste management.
- A distribution channel to manage and organise small streetside shops (warung) selling ready-to-eat food in the Tegal region. The social enterprise has the potential to widen distribution product line as well as become a marketing channel.
- A batik entrepreneur, with experience working in the fashion industry, has been running a two-year-old SE with local artisans exploring printed batik vs handmade products.

Dondi Hananto, the co-founder of Kinara Indonesia, talked about lessons after two years of operation. "We realized, entrepreneurs are not looking for outside help and it is not easy to do equity investment. Nobody (was) doing seed/round A investments. But they (the entrepreneurs) sorely need capacity building and pre-deal mentoring. So that is where Kinara went, hosting capacity building efforts via workshops. To build out the ecosystem, funds need to understand that capacity building will eventually net them deals."[70] Beyond impact investing, Hananto says Indonesia greatly needs a fund for nonprofits focused only on capacity building.

Kinara is forging its own partnership network. It finds mentors who are industry experts or are skilled in a specific business service to work with social enterprises on their needs such as distribution, marketing, finance, and legal issues. Kinara and a US partner are exploring the possibility of setting up an incubator in the country, and are also working with business majors in universities interested in social entrepreneurship.

Kopernik: A crowd-funding platform with a focus on last-mile delivery

Kopernik has created a distribution network for last-mile delivery of basic technologies through an online marketplace. Founded by Australian and Japanese expats who used to work for the UN, Kopernik helps connect products and technologies related to basic amenities such as cooking, water, and electricity with the people who need them the most. As a first step, Kopernik features a product or a service on its website, and a network of 40 local partners select what is needed most in their communities. An example of a technology featured in Kopernik's marketplace is a water filter by a social enterprise called Nazava. Kopernik helps crowdfund the upfront costs of delivery before shipping the product to the local partners.

Kopernik also provides microloans and training to individual resellers and small shops to expand access to these technologies and boost the income of micro-entrepreneurs. Kopernik is a NPO and the proceeds from the sales are reinvested. Raising funds through crowdfunding in US and Japan, in order to deploy the money in emerging Asia remains one of Kopernik's biggest challenges. Kopernik's projects and operations now span 19 countries including Indonesia, Vietnam, Cambodia, Myanmar, Bangladesh and India.

Indonesia:
Social Investment Ecosystem

Indonesia has seen some of the largest flows of domestic philanthropic capital when compared to other countries in the region. It continues to attract a host of international investors such as Unitus, Aavishkaar and Bamboo Finance. However, the country's ecosystem requires more integrated capital providers such as Kinara, GEPI and LGT, more effective convenors, and specialised incubators so that the social entrepreneurship sector can begin to realise its potential.

FINANCIAL CAPITAL

Social Enterprises (SEs)

Start-up funding

- LGTVP-GEPI SWAP program; GEPI (Angel Investment Network, Women's Angel Fund); Kinara, Inotek
- *Zakat* funding: Rumah Zakat and Dompet Dhuafa
- International foundations: Skoll Foundation, Arthur Fund
- Bank Mandiri
- PNPM Peduli program (World Bank programme)

Growth funding

- Impact investing funds: Uno Kapital, LGTVP, GBF, Unitus, Aavishkaar, Bamboo, LeapFrog, IIX, Unitus
- Agriculture Finance Innovative Fund For Eastern Indonesia (MICRA Indonesia)
- Banks: Kredit Usaha Rakyat, Bank Rakyat Indonesia, BTPN Bank
- SWITCH-Asia (EU programme)
- Sosial Enterprener Indonesia (SEI)
- UnLtd Indonesia

Nonprofit Organisations (NPOs)

- *Zakat* funds: Rumah *Zakat* and Dompet Dhuafa,
- Corporate / HNI foundations: Putera Sampoerna Foundation, Mien Uno Foundation, Ciputra Foundation, Tahir Foundation, Inspirasia
- Banks: Bank Mandiri, DBS
- International Foundations: Gates Foundation, Terre des Hommes, AusAID, Hivos
- MICRA Indonesia (Agriculture Finance Innovative Fund For Eastern Indonesia)
- PNPM Peduli (World Bank)
- CSR: Chevron, HSBC, StanChart, Unilever, Samsung, Coca Cola Foundation

Support for field building

Infrastructure builders

- LGTVP, Kinara, Bank Mandiri (supported GEPI)
- PNPM Peduli (World Bank)
- Ciputra Foundation

SOCIAL CAPITAL

Networks

- GEPI, AKSI
- MICRA Indonesia, Center for Micro Enterprise Incubation (PINBUK), Ashoka network
- Indonesia Business Links
- SWITCH-Asia (EU)
- Tangan Di Atas
- YHub (Bali)

Platforms

- Kopernik

Convenors

- GEPI, Kinara, AKSI UI

HUMAN CAPITAL

Enablers/Champions

- Entrepreneurs' Organization (EO), YPO, Endeavor, Ashoka
- Social Entrepreneurs: Veronica Colondam (YCAB), Bambang Ismawan (Bina Swadaya), Tri Mumpuni (IBEKA), Ambrosius Ruwindrijarto & Silverius Oscar (Telapak)

Capacity builders

- Intermediaries: GEPI, Kinara, Inotek, Sosial Enterprener Indonesia (SEI), AKSI, AKSI UI
- Business plan competition organisers: British Council and Bank Mandiri
- UnLtd Indonesa
- Corporate initiative: Shell LiveWIRE Initiative
- SME ecosystem supporters: Center for Micro Enterprise Incubation (PINBUK), MICRA Indonesia, Indonesia Business Links
- Mainstream incubators: Jakarta Founders Institute, Mehra Puti Incubator (tech)
- SWITCH-Asia (EU)
- YHub (Bali)
- D-Rev
- Mitrais CSR

INTELLECTUAL CAPITAL

Thought Leadership

- Asian Institute of Management
- Indonesian universities: Center for Entrepreneurship, Change and Third Sector of Trisakti University, University of Indonesia, Universitas Padjadjaran's Faculty of Social Welfare, Paramadina University, Universitas Ciputra Entrepreneurship Center, Universitas Prasetiya Mulya, Universitas Bina Nusantara (Binus), Universitas Indonesia, Institut Teknologi Bandung - Sekolah Bisnis & Manajemen (SMB ITB)
- SWITCH-Asia (EU)

CONCLUSION / RECOMMENDATIONS

Indonesia faces large social and development challenges in the region. Civil society in the country is yet to come into its own after decades of hostile government that has stymied its growth. As the NPO sector grows in scale, it has to overcome challenges of weak networks, management and governance to establish its credibility as a vehicle for effective service delivery. On the funding side, traditional philanthropy is now witnessing a range of initial experiments in effective giving led by family foundations. The corporate sector and *zakat* are potentially huge sources of large domestic pools of capital, provided there is sufficient cross-sector collaboration and professional management of funds.

In order to accelerate its response to effectively address the scale of its social issues, Indonesia must focus its efforts to support SPOs in the following three areas: Collaboration across sectors (social/intellectual capital), pooling of capital (financial capital), and capacity building (human capital).

Collaboration Across Sectors (Social Capital / Intellectual)

1. Launch sustained effort—backed by a coalition of high-profile leaders in the sector—to host national dialogues to begin sharing lessons from initiatives that work, and coming up with avenues of collaboration to work on specific social issues.
2. Strengthen cross-sector collaboration by using action-oriented research as the basis of discussion on specific social issues. Commission research through university centres or specialist organisations like the Public Interest Research and Advocacy Center (PIRAC) to
   i) landscape the sector along with annual surveys of SPOs
   ii) provide in-depth understanding around specific issues (e.g., Dasra model of research)
3. Build bridges across existing infrastructure to strengthen support for social enterprises. Examples include development-finance-institution-inclusive business efforts, country's entrepreneurship drive including Ciputra, government initiatives and incubators, and tech-focused funds and incubators. GEPI is an example of a mainstream entrepreneurship initiative that has become a champion for social enterprises.
4. Establish programmes for social franchising of successful SPO models from other regions.

Pooling of Capital (Financial Capital)

1. Pool and professionally manage locally sourced funds:
   - CSR: Create a network (e.g., Philippine Business for Social Progress (PSBP) in the Philippines) for the country's leading companies to pool CSR capital. This fund can then be devoted to providing multi-year strategic, philanthropic support for strategic social initiatives.
   - HNI philanthropy: Young Presidents Organization (YPO or Entrepreneurs' Organization- (EO)-led initiative for establishing Giving Circles.
   - *Zakat*: Expand on Dompet Dhuafa and Rumah Zakat's leadership by pooling money from *zakat* collectors within communities. These funds could then be placed under professional management to deploy capital for strategic or venture philanthropy in those communities.
   - Tap markets: Endow a public foundation by raising money from private markets (e.g., Kehati, Peace and Equity Foundation (PEF)) to address issues outside of conservation.
   - Patient capital: Establish pools of risk capital (Corporate foundations, Impact investment funds) to fund the learning curve of SPOs.
   - Fund building of infrastructure: Earmark from multi-year grants (see (a) to (d)) for research on sector by entities such as PIRAC, funding intermediaries such as GEPI and AKSI, establishing incubation facilities for NPOs, training of intermediaries.

2. Explore best practices for lending or mechanism for guarantees to social enterprises and encourage banks such as Bank Rakyat Indonesia and BTPN Bank to establish programmes for social enterprises.

Capacity building (Human Capital)

1. NPOs: Set up a CSR-funded, professional incubation or capacity-building service in Jakarta, such as Inspirasia in Bali.
2. Social enterprises:
   a. Establish a volunteer / secondment platform in the corporate sector for hands-on capacity-building support to social enterprises.
   b. Establish a network of incubation and hands-on capacity-building services for social enterprises modelled on adaptive approach adopted by Kinara.
3. Intermediaries: Host periodic training for incubation services, capacity builders, grantmaking and impact-investing practitioners.

Endnotes

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THE PHILIPPINES

The history of the Philippines has been shaped by a strong, proactive, and innovative civil society. It has not only served as a catalyst for political change but has also shaped key social and economic policies. Our research revealed a frontline of dynamic NPOs and social enterprises, resourceful intermediaries and forward-looking foundations willing to take on risks to achieve greater impact.

EARLY ADOPTER IN SOUTHEAST ASIA

The social sector has been the driving force in the endowment of a series of public foundations via creative initiatives using public markets and overseas development assistance (ODA), with the aim of catalysing domestic philanthropy. This kind of thought leadership is indicative of the receptive space that the Philippines provides for emerging dynamic forms of social investment. Similarly, companies have been mobilised since the 1970s in addressing the country's social issues with financial capital and other resources. Moreover, the Philippines has had success in the most elusive of development mantras, the working together of public and private actors through cross-sectoral collaborationson social issues.

The following sections shine a light on the country's best examples of success in social innovation. Yet, these positive new approaches in addition to a strong nonprofit sector have not, to date, shifted developmental indicators in a significant way nationally. The challenge for the Philippines is perhaps not lack of innovation, best practices, or inspiring examples of success; it is in bringing proven solutions to scale in addressing the country's daunting social challenges. Social investment approaches offer the prospect of adding scale to the capacity for innovation and institutional strength of the social sector in the Philippines. It is for this reason that social investment in the Philippines already demonstrates sufficient momentum for the country to be described as an "early adopter" of social investment approaches in the region, with great capacity for further growth.

Social needs overshadow its success stories

The Philippines has the most active philanthropic and impact investing market in emerging Southeast Asia; yet, the challenge remains of making any sizeable dent in the country's immense social needs:

- In spite of showing good human development performance, 26.5 percent[1] of the nearly 100 million population live below the poverty line and 45 percent earn less than USD 2 per day.[2] The Philippines ranks marginally better than Indonesia on the Human Development Index 2013.
- In terms of income inequality, the 2009 Gini coefficient[3] for the Philippines stood at 0.43, down from 0.462 in 1997, a figure still considered high by economists.
- Social inequities disproportionately affect indigenous minorities who comprise 15 percent of the population.
- An archipelago of over 7,000 islands, the country is the second most populous in the region after Indonesia. Its economic growth is mostly centred on the capital Manila. Geography poses immense challenges for development in remote islands and "micro-regions."
- Despite improvements in reducing child mortality, malaria and gender inequality, the country is not expected to meet its MDG goals on reducing poverty, education, maternal health and a growing incidence of HIV.

After World War II, the Philippines experienced a brief period of growth, before conditions deteriorated, allowing Ferdinand Marcos to take power in the 1960s. Existing problems of unequal land distribution and a flawed industrial policy of import substitution were exacerbated by dictatorship and systematic corruption, weakening the country's institutions. In the 1980s, Marcos was ousted in the People Power Movement in which grassroots civil society groups played a pivotal role. The country's economy continued to make limited progress until liberalisation in the 1990s. The Asian financial crisis also struck the Philippines and the peso depreciated considerably. However, the impact was not as severe for the Philippines as it was for its neighbours in Southeast Asia, yet growth lagged. The country was marked by ongoing political uncertainty and long-standing internal unrest with communist insurgents and separatists in the Southern provinces with large Muslim populations.

Service-powered economy

With an average annual growth of 5 percent over the last decade, the Philippines was upgraded to Lower Middle Income country status according to World Bank standards in the 1990s. Its economy has become particularly attractive to foreign investors since then. Its strong fundamentals have not only withstood the contagion from the global economic crisis but also the devastating effects of the recent Typhoon Haiyan.[4] While developed countries continued to struggle in the uncertain global environment, the Philippines achieved GDP growth of 7.3 percent in 2013. Nevertheless, the Philippines remains heavily reliant on remittances, with 11 percent of its population living overseas[5] due to a lack of opportunities within the country, particularly in rural, low-income areas.

Overall, the economy is making a long transition from reliance on agriculture to a more balanced economy, driven by services (57 percent of GDP) and industry (32 percent).[6] Its skilled English-proficient workforce has helped it overtake India as the world's main business process outsourcing (BPO) destination. However, a third of the labour force works in agriculture and fishing, a sector where incomes are low, growth is stagnant and its contribution is only 14 percent of GDP. Food security is a rising societal issue with most of private and government investment in agriculture aimed at exports rather than self-sufficiency.

Ethnic violence, natural disasters add to developmental challenges

Government clashes with the Muslim rebel groups in the southern regions, particularly Mindanao, have resulted in decades of violence since independence in which over 100,000 people have been killed and millions displaced.[7] Apart from issues related to internally displaced persons, the southern provinces are mired in grinding poverty.

With the backdrop of these development challenges, the country's location on the Pacific Ring of Fire also makes it prone to natural disasters and its poorest populations face a constant risk of calamity. In the last two decades, the Philippines has withstood 300 typhoons, earthquakes and landslides. Even though the country's disaster management is slowly improving, wave after wave of affected Filipinos relocate, often to overcrowded housing in risky, low-lying areas.

Building on strong foundations of the nonprofit sector

The nonprofit sector in the Philippines has strong roots dating back to the Spanish Occupation in the 1500s when the Catholic Church set up the country's first nonprofit institutions such as hospitals, orphanages and asylums. 400 years later, after the American occupation, the Philippine Corporation Code of 1906 recognised the right to create NPOs[8] and it also provided tax exemption for local philanthropy. Welfare agencies such as the American Red Cross and the Anti-Tuberculosis Society were set up by the new colonisers, and agencies such as the Organization of Filipino Women and Catholic Women's Federation[9] were founded to provide education and health services. New groupings such as labour unions, farmers' and student groups followed in this open political environment.

The first generation of NPOs after independence was set up in the 1950s and 1960s to address rural development and urban poverty, examples being the Council of Welfare Agencies of the Philippines, the Philippine Rural Reconstruction Movement,[10] the Catholic-run Institute of Social Order and Zone One Tondo Organization.[11] In the 1970s and 1980s, NPOs were created to meet socio-economic needs among the poor and to organise resistance against authoritarian rule. The Church was a major player in organising socio-political grassroots campaigns that culminated in the People Power movement (also referred to as People Power revolution). After Marcos was overthrown in 1986, civil society's role and protections were codified in the constitution. Today, the nonprofit sector in the Philippines is widely regarded as being one of the most vibrant and advanced in the world.

Nonprofit sector: A key player in country's economy

The size of the sector can be estimated from the 2009 figures with the Securities and Exchange Commission that put the total of registered non-stock, nonprofit organisations at 107,163 (which may be an under-reported figure). The sector makes a significant contribution to the country's economy; one survey estimated that nonprofit corporations contributed around 8.5 percent of GDP in 2005.[12]

Civil society in the Philippines includes a large number of People's Organizations (POs). These are membership-based and they are formed chiefly on a voluntary basis. NPOs, mostly associated with the urban middle class, work closely with People's Organizations, organised at the grass-root level around issues or sectors to deliver services. It is estimated that there are around 100,000 People's Organizations.[13]

The largest coalition of NPOs working in social development, Caucus of Development NGO Networks (CODE-NGO), was formed after a consultation led by the Canadian International Development Agency (CIDA) in the late 1980s. Today, it encompasses six national and six regional networks representing around 1,600 organisations. CODE-NGO is responsible for the earliest examples of cross-sectoral collaborations such as the one undertaken in 2000 between the government, business and civil society to promote effective governance.

The impressive track record of civil society as agent of change

According to the 2010 Civil Society Index Philippines,[14] the key areas of activity of the sampled civil society organisations were, in order of stated importance, supporting the poor, education, employment, and health and nutrition. The Philippines leads Southeast Asia in successful social policy advocacy. In the past decade,[15] according to the Civil Society Resource Institute's 2011 mapping and strategic assessment, civil society organisations have been the main driver in pushing through the following reforms:

a. Law on Violence Against Women and Children
b. Urban Development and Housing Act
c. Juvenile Justice Law
d. Extension of the Comprehensive Agrarian Reform
e. Magna Carta on Women
f. Magna Carta for Disabled Persons.

The reasons why Philippine civil society has been so successful in lobbying for social policy change are:

- a high level of organisation and cooperation among NPOs fostered by the numerous networks and coalitions spanning the sector,
- close partnerships with the media,
- positive public perception of the sector,[16] and
- the presence of strong allies in government.[17]

Part of the reason for NPOs' high standing in the Philippine society is its historical role in overthrowing the Marcos regime as well as its innovation and leadership in addressing the country's problems.

Funding NPOs: The shift from foreign to local sources

After the Marcos regime, a flood of foreign grants helped build a robust NPO sector. Key local sources of funding for nonprofits have been the Church, local business and family foundations, particularly the Philippine Business for Social Progress (PBSP) and these will be discussed at length in the following section. Government support for the nonprofit sector is primarily in the form of fees for services and contracts; it does, however contribute to local foundations. However, external funding is on the decline and funding agencies require partner NPOs to institute sustainability measures.[18]

The Philippines has perhaps been the most creative country in finding pioneering solutions for the NPO resource constraints in the new funding landscape. CODE-NGO has led innovative solutions such as debt swaps to set up several NGO-managed fund mechanisms such as the Foundation for the Philippine Environment (FPE) and the Foundation for Sustainable Society, Inc. (FSSI). In 2001, CODE-NGO also came up with the concept for a new financial instrument to raise funds from the capital markets—the sale of the Poverty Eradication and Alleviation Certificate or PEACe Bonds. In spite of these pioneering examples, however, overall NPO funding is still short of what is needed and NPO growth has slowed as foreign funds have diminished.

Table 1: Perception of corruption within civil society

Frequency of instances of corruption	Respondents	%
Very frequent	**11**	**11.7**
Frequent	**23**	**24.5**
Occasional	**31**	**33.0**
Very rare	**29**	**30.8**
Total	**94**	**100%**

Source: CSI organisation survey.

Strong start in establishing local philanthropy

The Philippines is unique in Southeast Asia for its well-established institutional philanthropy, both from public and private sources. Apart from corporate, family and religious sources of funding, the country's proactive civil society has helped institute the three largest domestic foundations through public funds. There are increasingly more examples of strategic philanthropy. A sign of the sector's maturity is that an ethos more centred on development is emerging among corporations and HNWIs, as opposed to the traditional focus on charity. Wealth families began setting up foundations as early as the 1960s. According to a 2000 Synergos-Association of Foundations survey,[19] the country had 56 local foundations[20] that disbursed USD10.5 million in that year.

Culture of giving

A tradition of social solidarity can be traced back to the time before the Spanish Conquest when it was key to the community's survival.[21] The structures in this tradition are *bayanihan* (mutual assistance among peers in day-to-day life and economic, particularly agricultural, pursuits), *damayan* (assistance of peers during crises or death), *kawanggawa* (charity) and *pahinungod* (volunteering, or offering of self to others). The first signs of formal philanthropy[22] were seen during the Spanish occupation in the 16th century as the Church asked for a portion of personal fortunes for its charities or *obras pias*[23] (pious works). During the American Occupation, the changing secular environment helped broaden philanthropy[24] from an exclusively religious sense of obligation to a humanitarian one.[25]

The Church, however, continued to play a central role in the social development of the country. After Independence in the late 1940s, the Church, led by a Jesuit vanguard expanded its activities to fund direct engagement[26] with farmers and workers.[27] Protestant churches also came together as the National Council of Churches in the Philippines to cover rural development, cooperatives, credit unions and practical skills in agriculture.

Seesaw from foreign to domestic funds

In the late 1990s, foreign sources[28] comprised 30 percent to 45 percent of NPO funding; service fees and corporate donations were the second and third largest sources of funds[29] and local foundations comprised 10 percent to 15 percent.[30] ODA grants dropped from a peak of USD 900 million in 1993 to USD 400 million in 2008, as a natural corollary to the improvement of the Philippine economy. Several bilateral funding mechanisms including USAID's Private Voluntary Organization (PVO) Co-Financing Program, CIDA's Canada Fund for NPOs and the Philippine Canadian Development Fund have closed down.[31] The Ford Foundation withdrew in 2003 after three decades of grantmaking. NPOs have been scrambling for new sources of capital and the funding needs are still large. Civil society has anchored pioneering measures to fill the gap (see Innovation in philanthropy: Seeding Public Foundations, page 50). Organisations such as Venture for Fundraising provide training to NPOs on becoming more sustainable, and in 1998, the Philippine Steering Committee for Philanthropy was set up precisely for the purpose of promoting domestic philanthropy. There are no recent surveys or figures, but a 2011 mapping by Civil Society Research Institute concludes that local resources are steadily rising.

As elsewhere in the region, the majority of foundations in the Philippines are not endowed, and they constantly have to work to raise funds. According to a survey by AF and Synergos in 2000, 57 percent of foundation funding was from abroad but this balance is shifting to local sources as ODA is curtailed. Of the 43 percent of domestic funds, a third was from corporations; 26 percent from endowment income; 22 percent earned income; and national and local governments contributed 11 percent. Anand reports on the uncomfortable dynamic between some private foundations and nonprofits as they increasingly compete for scarce funds.

PHILANTHROPY IN THE PHILIPPINES: HIGHLIGHTS

A review of recent literature and interviews with key stakeholders helps draw out the characteristics and challenges in the philanthropy sector of the country. Overall, the culture and institutional framework of giving in the Philippines provide a strong platform for the deployment of social investment approaches.

- Filipinos have shown a remarkably concerted response and empathy to the social needs of their country, both in terms of organised giving and volunteering their skills and time. In the World Giving Index 2013 by Charities Aid Foundation (CAF), the Philippines ranked first in the propensity to give among countries featured in this research and 16th in the world. The Philippines also led the region (along with Myanmar) for the 43 percent of its population that volunteers time.
- The church provides the key channel for individual giving. According to a decade-old survey by a Manila-based fundraising consultancy,[32] average giving per household (in cash and in kind) varied from as low as USD 2 in the provinces to USD 40 in Manila. UBS reported total household giving as 1.8 percent of income, including about USD 11 per household per year to churches.[33]
- The corporate sector is the most promising area of growth in domestic philanthropy, championed by organisations such as PBSP. Business involvement is not

only growing but also showing signs of sophisticated and focused philanthropy that goes beyond basic CSR.

- An emerging sector of philanthropy in the country is community foundations, promoted by the Association of Foundations, and diaspora fundraising by corporate foundations or professionally run nonprofit networks.
- In the late 1990s, the NPO sector took active steps in self-regulation after a rash of funding scandals in the sector. NPOs launched the Philippine Council for NGO Certification (PCNC) in 1999 that instituted a rigorous process to encourage best practice in fundraising and fiscal responsibility.[34]
- PCNC-registered and government-registered non-stock nonprofit organisations (foundations included) are exempt from paying income taxes. Furthermore, local donations to PCNC-certified organisations can be deducted from the donor's taxable income.[35] The law provides for limited tax exemptions for donations to non-certified NPOs.[36] Not all NPOs pursue certification by PCNC as they may consider the process too cumbersome for the tax deduction involved or may find the accreditation bill of up to USD 700 too costly.

INNOVATION IN PHILANTHROPY: SEEDING PUBLIC FOUNDATIONS

The largest grantmakers in the country are three publicly-endowed foundations: FPE, FSSI, and The Peace and Equity Foundation (PEF), formed via debt swaps and by tapping private capital markets. Credit for their formation goes to the initiative, persistence and lobbying skills of the country's civil society, particularly CODE-NGO that has been the rallying force behind these initiatives. The impetus for FPE came in 1989 when the country was flush with ODA for new democratisation efforts. The NGO sector was able to argue that such innovative financing mechanisms would allow funds to be more effectively deployed and managed than by the government alone. Local civil society leaders worked with the government, USAID and the Filipino diaspora in the US, to lobby the US government to effect a debt swap into seed financing for the funds.

There is some research, especially in the 2000s by Synergos,[37] citing the Philippines as evidence of best practice for growing domestic philanthropy in the global south. Synergos also credits ODA agencies for knowledge transfer and capacity building of these public foundations. Environment and sustainable conservation are major focus areas for public foundations. Forest cover declined to 17.9 percent in 2002, and deforestation was recorded at a rate of 100,000 hectares per year.[38] Apart from these three foundations, The Philippine Tropical Forest Conservation Fund (PTFCF) was set up under two bilateral agreements for debt reduction between the US and Philippine government in 2002. Under two debt-for-nature deals, the first resulted in USD 4.5 million[39] in grants paid for forest conservation efforts over 14 years,[40] and the second signed in 2013 will redirect USD31.8 million of debt payments owed by the Philippine government to continue PTFCF's work.

RECENT DEVELOPMENTS LEADING TO STRATEGIC AND VENTURE PHILANTHROPY

Public foundations such as FPE, FSSI and PEF are on the frontline of comprehensive and collaborative approaches as well as newer, more effective forms of philanthropy. Both FPE and FSSI have been researched by Synergos for their efforts in strategic as well as venture philanthropy. The two foundations go through rigorous strategic reviews and research, and they have demonstrated nimbleness in

Table 2: Debt swaps, bonds: Innovative financing mechanisms to create public foundations

	The Foundation for the Philippine Environment (FPE)	Foundation for A Sustainable Society Inc (FSSI)	The Peace and Equity Foundation (PEF)
FORMATION	Debt-for-nature swap with the US; registered in 1992.	Switzerland endowed a fund equivalent to 50% of its cancelled debt in 1995.	The Caucus of Development NGO Networks (CODENGO), along with core investors, tapped the capital markets in 2001 by issuing zero-coupon "PEACe Bonds" (Poverty Eradication and Alleviation Certificates).
FOCUS AREAS	Biodiversity conservation and sustainable development of communities.	Sustainable enterprises that are community oriented and ecologically sound.	A wide range of community development and empowerment programmes.

adapting their strategies to new circumstances. FPE has moved away from its single-minded focus as a grantmaker geared to establishing a track record to becoming a catalyst for collaborative approaches in biodiversity conservation among local stakeholders in "micro-regions." FPE hosted community consultation processes as well as capacity building[41] and training for its partners and local officials; this has actively decentralised its grantmaking powers to regional offices.

Synergos sees all the hallmarks of venture philanthropy in FSSI in terms of selecting and investing in ideas from entrepreneurs in the communities with whom they work, followed by monitoring and post-investment evaluation. Its social enterprise fund provides a range of financial products and capacity building for ventures in the communities that FSSI serves. FSSI is a joint owner of Coco Technologies, an enterprise that manufactures coconut fibre products (nets, rolls, mats to control soil erosion) sold in international markets. Another venture was a loan and grant investment in a new corporation to run a municipal waste management programme. This investment was jointly set up by FSSI, a local NGO, and local stakeholders. FSSI has aligned its endowment investment strategies to its mission: an increasing share of its endowment (20 percent at the time of the Synergos study) is invested in local development finance institutions that serve FSSI's ultimate clientele.

Interviews with sector leaders cite PEF as a dynamic example of a public foundation. The process of how the foundation was endowed and how it has evolved is perhaps a useful lesson for other countries in the region.

Peace and Equity Foundation (PEF)

PEF[42] enters five-year commitment to grow social enterprises

Along with local financial experts, CODE-NGO was responsible for spearheading the launch of the PEACe (Poverty Eradication and Alleviation Certificates) bonds in 2001. These were ten-year, zero-coupon bonds issued by the Philippines Treasury Bureau of the Treasury. The bonds were bid for by 15 banks in a public auction that was won by Rizal Commercial Banking Corporation (RCBC).[43] RCBC sold the bonds at a higher price through a private placement in the secondary markets and remitted the profit realised to CODE-NGO. The original endowment of PHP 1.318 billion managed professionally, has grown to PHP 2 billion[44] and only the income from the earnings of the fund (PHP 100 million to 150 million[45] per year) is used to fund PEF's activities. In its first decade of operations, PEF focused on communities in the country's 28 poorest provinces, funding basic services such as health, education, water, renewable energy and capital (the latter by providing guarantees to microfinance institutions (MFIs)[46]).

In 2009, PEF announced a shift in its operating model for the period 2011 to 2015 towards making investments in new and existing social enterprises. However, in the Chairman's message of 2012, the Archbishop of Cagayan de Oro had stated that the switch to investing in social enterprises was harder than they had originally anticipated. PEF ended up creating a 30-month roadmap for social enterprise investment implementation, highlighting the need to look at not only financial requirements, but also entrepreneurial capabilities, technology used, and targeted markets. PEF realised early that there was the need for an "ecosystem for social enterprise development," which would include capacity building on business and financial planning, legal and marketing support, equity investment, production efficiency, and carbon footprint reduction and mitigation. The Chairman stated that rather than simply providing finance, "PEF's role must evolve into nurturing an entrepreneurial culture among NGOs and social enterprises."[47]

PEF started investing with agricultural social enterprises involved in coconut, coffee, cane sugar, and also in companies with green technology. In 2013, its focus was on social enterprises that provided basic services such as medicine and maternal health care. To date, PEF has invested a total of PHP 100 million in 30 social enterprises, typically through early stage financing. PEF provides a range of financial instruments such as loans, guarantees and equity, with investment sizes typically in the range of PHP 10 million to 30 million. PEF provides loans at market rates and expects equity returns of approximately 2 percent over the loan rates. Other funds such as FSSI do follow-on investments, says PEF's Partnership and Program Manager Ricardo E Torres Jr.[48]

PEF also provides sharia-compliant financing for social enterprises, particularly in the Muslim-dominated Mindanao region. In addition, it has a special window to support entrepreneurs below 35 years of age who have demonstrated working business models.

Since 2009, of its annual PHP100 million to PHP150 million available resources, at least 70 percent are used to invest (via loans, equity, guarantees) in social enterprises while the rest are for grants on capacity building, installation of disaster-risk-reduction systems, technology research, business planning and knowledge management, among others.

While capacity-building is critical, Torres said that PEF's foremost issues while investing in social enterprises is the struggle with legal structure and governance, a difficulty commonly cited by investors in social enterprises around the region.

HNW/FAMILY FOUNDATIONS TAKE FIRST STEPS TOWARDS INCREASING IMPACT

The Philippines has several large, well-established and progressive family foundations. The first wave of family foundations was set up in the early 1960s, inspired by post-war reconstruction efforts as well as their own personal experiences with poverty or disease. Some like the Aboitiz family are fifth-generation philanthropists. THE UBS-INSEAD Asian philanthropy study found that families have continued the giving tradition of their elders, and the newer generation has been open to adopting more strategic forms of philanthropy.

However, Anand finds that when compared to the rest of the sector, giving by family foundations in the Philippines is relatively small. Moreover, the lines between family and corporate foundations are not clear due to two realities in the region: Some of the largest corporations in the country are family businesses, and charities managed by wealthy families are often one and the same as corporate foundations. Moreover, the UBS-INSEAD study found that only 18 percent of the family foundations surveyed followed an established process while disbursing grants. Education remains the largest focus for family foundations. With 30 percent of their funds sourced from third parties, 46 percent of the surveyed family foundations said that fundraising and the search for co-investors was the most significant challenge in philanthropy.[49]

Within the small community of family foundations, the efforts of Consuelo "Chito" Madrigal and Ramon Aboitiz foundations have been particularly strategic in their approach and far-reaching in their influence.

Consuelo Foundation convenes multi-sectoral approach

Endowed in 1990, the Consuelo Foundation has an income of approximately USD 1 million annually and has a clear programmatic focus on services for disadvantaged women and children. It employs a concerted, five-pronged strategy to maximise the impact of each dollar spent: locating grantees and creating peer networks among them, improving capacity (in particular financial sustainability), advocating, fundraising in the country and abroad, and supporting innovative interventions to improve service delivery. The Consuelo Foundation pursues multi-sectoral initiatives with 107 programme partners[50] ranging from NPOs to businesses and the Church. In one programme documented by Synergos,[51] the foundation championed a programme set up with 27 core members and seven affiliate groups to provide a coordinated and holistic approach in handling cases of abused children. The programme includes a range of interventions providing services from lawyers and psychiatrists as well as shelters for the children. The Foundation is particularly focused on organisational and financial sustainability of its investees, and is exploring effective ways of seeding social enterprises. The organisation goes through rigorous strategic planning based on research as well as external monitoring of its investees.[52]

The Ramon Aboitiz Foundation,[53] with its long history of giving since 1966, has a team of experts running each of its programmes in community development with the purpose of effectiveness in impact as well as funding. Using comprehensive solutions that address layers of issues, the foundation mobilises support from NPOs, local governments, business houses and individual experts.

ROLE OF THE CORPORATE SECTOR: EARLY LEADERSHIP FROM TOP BUSINESS HOUSES

The practice of business initiatives for addressing social issues in the Philippines is perhaps the oldest in the region. The earliest recorded form[54] of business philanthropy was in 1781 when Governor-General Jose de Basco y Vargas convened the Economic Society of Friends of the Country to seek contributions from Manila businesses and high society to fund high-value agriculture projects and vocational education. Today, the picture of corporate philanthropy in the country is particularly robust compared to the rest of the region. The following developments point to a maturing of the sector:

- A critical first effort by the corporate sector came as early as 1970 when 50 of the country's most prominent businessmen came together to pledge 1 percent of their companies' net income before taxes to address poverty in the country. The foundation was called the PBSP and four decades later the number of participating corporations has grown to 250. PBSP disburses over PHP 1 billion annually from member funds and international and local partners on various initiatives in the areas of health, disaster relief. It is the most influential business-led foundation in the country.
- Corporation foundations have increased in number from approximately 60 in 2005 to more than 80 in 2010.[55] At the time of the 2000 Synergos-Assocation of Foundations survey, 36 percent of foundations in the country were corporate foundations.
- The League of Corporate Foundations, with a membership of 70 operating and grantmaking foundations and corporations, guides industries in best CSR practices that align with national development priorities.
- Corporate donations are an increasingly important source of income for NPOs in the Philippines. In fact,

for NPOs working in healthcare and community development, corporate donations are a sizeable source of income, after fees for services and grants.

- Separate business philanthropy networks mobilise a focused response to education, disaster relief and environment.
- According to a survey[56] conducted in 2001, corporate foundations spent USD18 million in a one-year period between 1996 and 1998 in the following areas: education (82 percent of members participated in giving to this area), entrepreneurship (38 percent), community development (35 percent), environmental protection (33 percent) and housing and related services (33 percent).

There are several prominent examples of strategic corporate philanthropy including PBSP and Ayala Foundation.

PBSP, the Enabler: Leads, coordinates corporate sector initiatives

PBSP[57] is a distinctive initiative by a country's business leaders collaborating to address the country's social development issues. The idea was originally inspired by a similar effort in Venezuela. When PBSP was set up 43 years ago, the Philippines was going through tough economic conditions and political instability due to the communist insurgency. PBSP started with a pledge by 50 of the nation's leading businesses to donate 1 percent of profit before tax to fund opportunities in social development.

Today, PBSP has a sliding scale of tax-deductible donations ranging from percentages of profit to fixed annual sums donated by 250 large, medium and small business enterprises. With a staff of 100 professional employees and three offices across the country, PBSP, which is registered as nonprofit, now leverages its funding to secure grants from aid agencies including the Global Fund, USAID, AusAID and the Spanish aid agency. In 2013, its member companies contributed PHP 58.88 million (USD 1.3 million) and donor agencies and non-member companies contributed an additional PHP 1,173.96 million[58] (USD 26.5 million) to its operations. Its board remains powerful, served by top CEOs capable of mobilising resources, advocating their cause and influencing the government, as well as forging cross-sectoral partnerships.

Over the years, PBSP has sharpened its focus from implementing CSR programmes for its members to four issue areas: Health (Global Fund-backed TB campaign); Education (addressing the gap in classroom construction and funding scholarships from grade school to college); Environment (mangrove preservation, environment-friendly irrigation and anti-garbage drives); and Livelihood (lending to MFI agencies and capacity building).

An example of a livelihood initiative is a PBSP project to revive *sari-sari* shops (convenience stores) in the typhoon-affected areas. Partners such as Unilever and P&G supply the products, and the social enterprise Hapinoy works with new entrepreneurs to set up shop. PBSP also acts as a coordinating agent for its members, such as Pepsi and Unilever, when they go into typhoon-affected areas to undertake rebuilding projects.

Besides mobilising the corporate sector, PBSP as an operating foundation is a leader in demonstrating more effectiveness in philanthropy. It has worked on capacity building for generations of NPOs by identifying those who have the potential to absorb and can be accountable for funding, but who lack the skills needed for programme delivery. While funding microenterprise development, PBSP has experimented with optimal loans and grant sizes and provided expertise such as accounting and marketing. It uses best practices such as cross-sectoral partnerships for community development work in micro-regions[59] and performs rigorous measurement of improvement in income to gauge impact; this drives its five-year strategic planning[60] process. PBSP is also looking to draw on its members' core competencies by mobilising them not only as donors but as a resource of expertise for its programmes, particularly in SME development. An organisation that has carried this idea to its maturity – where the focus of giving and business is aligned – is a foundation set up by the founder of Bigfoot Entertainment, which provides rural education through film and media.[61]

Strategic corporate philanthropy in action

1. Paglas Corporation: A PBSP member, the story of Paglas Corporation (Pagcorp) in violence-ridden Mindanao in the Southern provinces is an early example of how a consortium of local leaders set up a world-class agribusiness facility employing over 3,000 people to address issues of deep-rooted ethnic violence, education, municipal development and sustainability. Not only did crime drop to single-digit figures, Paglas in over a decade, attracted USD 100 million in foreign direct investment – the highest amount of FDI among Filipino Muslim provinces. Today, Pagcorp is PBSP's flagship for responsible business with a corporate foundation, funding formal and non-formal education, financial literacy and sanitation among other strategic efforts.

2. Ayala Foundation:[62] One of the largest private foundations in the Philippines, Ayala Foundation was set up in 1961, and it is now the CSR arm of the Ayala Corporation and its related companies. The foundation's unique strategy is in launching high-profile social initiatives—mostly public-private partnerships—to address overlooked social challenges on a national scale. It aims to leverage two thirds of the funds from third parties. One of Ayala's initiatives was anchoring a nonprofit consortium to bring internet connectivity to all public schools.[63] Launched in 2005, the consortium raised USD 3.75 million in three years to help 1,670 schools. A part of this funding came from the foundation's American partner, Ayala Foundation USA, one of the most prominent Philippines diaspora organisations.[64] Ayala is one of several foundations driving the growing trend of diaspora philanthropy that not only draws funds from a substantial Philippines overseas population back to the Philippines but also connects youth and young professionals abroad with opportunities at well-run NPOs in the country.

INNOVATION THROUGH COMMUNITY FOUNDATIONS

The Gawad Kalinga Community Development Foundation (GK)[65] has been a pioneer in its model for bespoke interventions to alleviate poverty. GK is the brainchild of Antonio Meloto and works in over 2,000 "GK" villages by combining multiple solutions for poverty including building homes, schools, clinics and businesses. The Church was a founding partner of GK and remained a formal partner until 2009. Now incorporated as a foundation, GK has received widespread attention for its impact and attracted significant corporate funding as well as high-quality volunteer talent from young professionals.

Foundations with a community focus struggle with issues of accessibility due to the sheer geographical challenges of the archipelago nation and there is the need to decentralise their decision-making for greater impact. Since the early 2000s, there has been growing support for the western concept of community foundations to bring heightened mobilisation and impact at the community level. The Association of Foundations[66] completed a study as early as 2003 to identify existing organisations which would fit the community foundation criteria, and it is now working with these organisations to enhance their capacity to take on a more pronounced community foundation role. One of the organisations that is making such a transition is the Kabalaka Development Foundation which supports communities linked to sugar plantations in Negros Occidental. The staff has decided to move from the current structure into a community foundation to be "truly sustainable." The impetus for the decision "is that communities should become partners rather than recipients of development". Anand[67]cites a few small yet innovative examples including the Pondong Bantagan Community Foundation, Inc. (PBCFI). Backed by the Church, PBCFI was launched in 2000 and has raised an endowment from its parishioners to invest in four programme areas: social credit/microfinance, educational scholarships, food and health.[68]

SOCIAL ENTERPRISES IN THE PHILIPPINES

Young Filipino entrepreneurs are as bullish as their counterparts in Indonesia, India or Kenya about applying business principles to solving social issues. Having experienced rising incomes in rapidly growing economies, the younger generation is sensitised towards addressing development issues through revenue-generating social enterprises and impact investing. Successful local social enterprises are celebrated in the media and young entrepreneurs have access to global networks supporting the impact investing phenomenon.

Current state of social enterprises or impact investing: Success stories

In contrast to the rest of Southeast Asia, the Philippines is home to a number of well-established and high-profile social enterprises, including Rags2Riches, Hapinoy and Human Nature (see Human Nature, page 57). These prominent social enterprises have vision and ambition,[69] and they have also begun achieving significant scale, lending legitimacy to the concept of social enterprises. However, interviews with key informants in the country reveal that, beyond these internationally recognised social enterprises, Philippines has relatively few viable investment vehicles for international impact investors, mirroring the trend across the region. A primary reason for this is that the ecosystem of support for the sector is still a work in progress. The situation is improving marginally as the sector leverages on the growth of the technology incubation. The Asian Development Bank, based in the Philippines, is also having some institutional impact through its push for inclusive business. Some organisations that have emerged in recent years (e.g., Kalibrr, Rappler, Rocky Mountain Coffee, Ayannah, and Lenddo) might not identify themselves distinctly as social enterprises, but they have certainly created some positive social impact.

While there are no formal surveys on social enterprises, one estimate[70] suggests there are around 30,000 social enterprises in the Philippines, broadly defined to include revenue-generating NPOs, cooperatives, fair trade groups and MFIs. Many of these social enterprises are focused on the immediate community, and lack the resources, capacity, and/or the ambition to scale up.[71] Many of them have links to nonprofit community development initiatives, as they seek to supplement scarce donations. A sizeable number of the social enterprises generate agricultural products.

2006-2009: Country's star social enterprises are founded and a "new" sector is born

Social entrepreneurship as a concept became current in the Philippines in 2006 after conferences brought the sector together and high profile global awards such as Skoll were set up. The period 2006-2009 also saw the establishment of most of the country's high-profile social enterprises. By 2009, the sector came to the fore in a number of initiatives: The British Council launched its influential social enterprise competition and capacity-building programme; LGT Venture Philanthropy set up its operations in Manila; Ateneo de Manila University began to host an annual social enterprise conference; and finally, PEF announced its plans to invest in social enterprises.

Three success factors: Thought leaders, corporate training, and cross-sector collaborations

Taking a closer look at the success stories of social entrepreneurs, they had three features in common. Firstly, they were sensitised early to ideas of social development either through Ateneo de Manila University or volunteering experience with the Philippines' popular and successful GK movement. Ateneo de Manila University, a Jesuit university, attracts mainly the upper class of the country while 15 percent of students are on scholarship. It has a well-established social development programme, a social entrepreneurship course taught since the 1990s, and students are encouraged to express their social responsibility.[72]

Secondly, the GK movement has proven to be a powerhouse of talent as well as inspiration. One of its three focus areas is building social businesses. Through connecting communities with professionals, young and experienced, there have been offshoots that are contributing to the social enterprise ecosystem (see box on GKonomics and Enchanted Farm). There were early cross-sector initiatives that involved corporate and microfinance foundations, as well as the NPO sector.

Lastly, the social entrepreneurs had corporate or business backgrounds and expertise: Mark Ruiz, the founder of Hapinoy spent time in Unilever before beginning his venture. Antonio Meloto was with P&G before launching GK. Reese Fernandez-Ruiz was a business student when she launched Rags2Riches with eight other partners.

Social Enterprise Bill tabled before lawmakers, but may be too early

With the aim of fostering a wider policy framework to developing social entrepreneurship, FSSI and fair trade organisations have lobbied to table a social enterprise Bill that prioritises lending and tax incentives, among other benefits. As it winds its way through Congress, other stakeholders have suggested that the Bill is premature for the Philippines market, and that a lot of preferential provisions can be accessed through existing laws. Others worry about misuse via loopholes in the new Bill that would threaten to negate early successes in the sector. Yet others suggest that instead of a Bill, or an inordinate focus on defining the sector, the time is right to focus instead on building other vital components of the social enterprise ecosystem. Aside from the Social Enterprise Bill, the sector now has a seat on the decision-makers' table after Paolo Benigno Aquino IV of Hapinoy was elected a Philippine senator.

Recent developments: Supply of capital

LGT Venture Philanthropy, IIX, LeapFrog, Grameen Foundation, Uberis and Bamboo Finance are among the international impact investing funds that are seeking to make investments in the Philippines market. Citing the need for smaller ticket investments to build the pipeline, LGT has partnered with xchange on their Impact Ventures Accelerator Program (IVAP) to offer capacity building and investment of up to USD 50,000. Grameen Foundation moved from working with plain-vanilla MFIs to investing and providing capacity building for social enterprises addressing information and financial needs of the rural poor.

Locally, two organisations, PEF (see page 51) and xchange (see page 56) have committed funds for social enterprises. A recent business school graduate set up SocialProject.PH in 2013 with the aim of using crowdfunding from diaspora contributors around the world to funnel remittances to high-performing nonprofits and social enterprises in the Philippines. The Spark Project[73] is another local crowdfunding platform for local entrepreneurs.

The Convenor: xchange

By assuming multiple roles as a social enterprise incubator, venture philanthropist and a convenor, xchange has carved a unique role for itself in the nascent impact investing / venture philanthropy sector. xchange was founded in 2011 by Rico Gonzalez who taught at Ateneo de Manila University before spending over a decade working in the finance industry. Gonzalez's idea was to bring together, in a co-working space, a diverse group of people with a commercial background, who were interested in social investing. The intention was to provide a one-stop shop for social enterprises seeking capital and capacity support. The co-working space has sought to bring together key social enterprise ecosystem builders such as LGT Venture Philanthropy, Ashoka and Grameen Foundation.

As an early stage investor, xchange's strategy is impact first. Rico Gonzalez' goal is to raise the survival rate of Social enterprises through hands-on interventions that involve reassessing strategy and improving business models to achieve sustainability. Gonzalez says, "We solve problems that entrepreneurs didn't even know exist."[74] Through a flexible investing model with no codified financial instruments, and bespoke support to social enterprises, xchange seeks to foster creative solutions that work. xchange has invested in six social enterprises including Hapinoy, Bagosphere and R2R. It has also committed funding to Ashoka in the Philippines. It provides accounting as well as non-financial support for select social enterprises. xchange, on behalf of the social enterprises, runs a joint programme with Netsuite to enable them to use a cloud-based Enterprise Resource Planning (ERP) system. xchange has also set up an aggregated health insurance for employees of its social enterprises.

Gonzalez sees the social enterprise need for high-functioning, qualified professionals and is experimenting with ways to bridge the gap. He believes one possible solution towards nurturing the next wave of social entrepreneurs is building support and mentorship through tight-knit collaboration with such professionals.

Incubators and capacity builders

There has been a significant crossover between mainstream incubators and supporters of entrepreneurship and social entrepreneurs: IdeaSpace incubator (backed by a local technology corporation and aimed at entrepreneurship in general) has brought new players such as USAID, Acumen Fund and Silicon Valley expertise to the table. Having received 700 applications for their first competitive process, half were social enterprises. Juan Great Leap, a convener for entrepreneurship in general, has started seeing an increasing number of social entrepreneurs at its events and trainings.

GKonomics and Enchanted Farm, both GK affiliates, have focused their efforts on incubating social enterprises at the community level.

The Catalyst: GKonomics

GKonomics[75] is an NGO incubating social enterprises in retail and high design for the sustainability of GK communities. It is an offshoot of GK, set up by five GK volunteers with extensive business and MNC backgrounds. In the last four years, it has worked in 74 communities with 50 different social enterprises.

GKonomics provides support to its social enterprises in product development, design, training, and finding buyers primarily through three ways of engagement:

- Nurture fledgling ideas and pair entrepreneurs in communities with mentors and markets.
- If the ideas are not readily there, establish what is marketable in the community, find an "entrepreneur" to take it over, and provide mentorship, start-up capital ranging from PHP 20,000 to PHP 50,000 as well as design expertise.
- Match professional service providers (e.g., accounting, law) with social enterprises.

The biggest investment from GKonomics has been PHP 500,000 in bamboo bike making. Out of their portfolio of 50 social enterprises, eight are already profitable or self-sustaining (e.g., Domesticity, Manila Fame) while 10 are moving towards the same goal. The return on investment and payback period is tailored to each social enterprise, while each is also subject to a tailored set of KPIs.

GKonomics runs on an annual budget of PHP1.6 million and receives philanthropic (founders' personal funds) and corporate funding from companies such as Accenture and Smart Communications. They have an MIT grant for five enterprises and pro bono help from other universities. Perhaps their biggest asset is their Rolodex of 50 industry experts offering pro bono services ranging from IP law to design and branding.

The team intends to launch an early stage social venture fund in the next three years as well as a business plan competition.

Another GK effort that is focused on incubating social enterprises is Enchanted Farm,[76] a pilot rural community project that was built from scratch on fallow land and is now home to the poorest families from surrounding areas. It has a village university teaching sustainability, a farm and an incubator for social businesses. There are about 50 social entrepreneurs in residence. Apart from social tourism, Enchanted Farm brings together local as well as foreign students to work with community members on social enterprise ideas. GK's vision is to launch 24 other sites modelled on Enchanted Farm.

Human Nature: The Philippines' Answer to Body Shop

Human Nature[77] was conceptualised as a for-profit social enterprise in 2008 by GK volunteers. Their purpose was to launch a company for locally-made personal care products made from high value crops from which farmers could earn income. In 2012, Human Nature hit USD 5 million in sales and by 2013, Human Nature had 176 full-time employees who were paid almost twice the minimum wage. Spread across 59 GK communities, Human Nature buys high value products such as citronella, coconut and lemongrass directly from farmers at fair-trade prices. The social enterprise provides farmers with interest-free loans to expand though they have found that not all farms wish to do so.

The company's future plans are to set up their own manufacturing facility, expand locally to 26 branches via franchises, placement in three major retail chains, and export to Singapore, US, Malaysia. Till now the founders have expanded with internal funds by ploughing profits back into the business. They are, however, anxious about taking on investors who "don't get social enterprises," and "don't get why we pay wages above market rate."

Human Nature set up a Social Enterprise Fund in 2009 to upgrade production facilities, provide healthcare to employees, and establish a local public school. In 2013, 42 percent of the company's profits went into the Social Enterprise Fund.

Leading social enterprises in the Philippines

- Rags2Riches – high-end fashion store – community work near dumpsite community
- Hapinoy – women retail network – women's empowerment
- Gawad Kalinga – several – poverty alleviation
- Human Nature – eco-cosmetics – farming communities
- Enchanted Farm – University and Incubator of social enterprises – Poverty alleviation
- Bagosphere – BPO vocational training programmes - Youth empowerment and employment

Apart from capacity building support from investors and incubators, the following set of organisations provide periodic training either in a classroom setting, through competitions, or in lectures.

Even though the primary focus of Social Enterprise Development Partnerships, Inc. (SEDPI) is microfinance institutions (MFIs), it provides funding and capacity building for social enterprises. SEDPI has also constructed specific modules around financial training of social enterprises. These modules are used not only in the Philippines but are also by other intermediaries in Southeast Asia.

The British Council, along with hosting an annual competition, plays a role in bringing together a raft of organisations to focus on or train social enterprises. One example is their partnership with an NPO called GoNegosyo whose mandate is to build a mass movement of entrepreneurship in the country. Apart from TV and radio programmes, they host three to four entrepreneurship summits, backed by big corporate houses, around specific issues every year which draw up to 10,000 to 15,000 attendees. Seminars that run parallel to the summit are focused on providing specific training to a maximum of 800 participants.

The Philippine Social Enterprise Network, Inc. (PhilSEN) is a critical intermediary whose focus is on bringing together primarily rural and community-focused NPOs and social enterprises seeking market linkages. It is the biggest network of social enterprises in the country. PhilSEN's work focuses on market development by replicating successful social business models.

Beyond these recent developments, the country's ecosystem for supporting the next bigger wave of social enterprises is still weak. Several interviewees point out that insufficient domestic sources of capital both for impact investment and venture philanthropy, as well as a paucity of sustained capacity-building efforts is resulting in significant leakage of promising ideas.

The Philippines: Social Investment Ecosystem

The Philippines ecosystem has good examples for the region of integrated capital providers such as xchange, GKnomics, Enchanted Farm and PEF. Moreover, organisations such as PBSP and PEF have made an effort to evolve in their strategy to reflect market needs. PBSP, and Consuelo and Ayala foundations have pioneered cross-sectoral collaborations to lead impact-oriented development efforts. In our research, the Philippines has been remarkable in the region for the broadest range of initiatives in philanthropy and social entrepreneurship.

FINANCIAL CAPITAL

Social Enterprises (SEs)

Start-up funding

- xchange, PEF, SEDPI, GKonomics, Enchanted Farm, LGT accelerator program, Flora and Fauna International
- Business plan competitions: IAmChangemaker (British Council), Business in Development Challenge (PBSP), health social enterprise competition (Unilab), IT competition (Smart Telecom)

Growth funding

- Impact investing funds: LGT, IIX, Grameen, LeapFrog, Grameen Foundation, xchange, Oikocredit, and Bamboo Finance, CARD Bank, ADB
- Online donation portals – SocialProject.ph

Nonprofit Organisations (NPOs)

Programme funding

- FSSI, PBSP, FPE,
- Private philanthropy (family foundations and individual giving); Zuellig Family Foundation, GT Metro Foundation, Gokongwei Brothers Foundation, Ramon Aboitiz Foundation, Consuelo Foundation
- Corporate philanthropy: PLDT-SMART Foundation, Ayala Foundation, Pagcorp
- Community Foundations: GK, Kabalaka Development Foundation, Pondong Bantagan Community Foundation
- Online donation portals – SocialProject.ph
- International aid agencies: Cordaid, USAID, ICCO Cooperation

Support for field building

Infrastructure builders

- International aid agencies: Cordaid, USAID, ICCO Cooperation
- PBSP, Consuelo Foundation, Temasek Foundation, NUS, Flora and Fauna International, Oikocredit, Starbucks Foundation and Intel Foundation, ICCO Cooperation
- Gawad Kalinga, Temasek Foundation, Consuelo Foundation, British Council, SocialProject.ph, xchange

HUMAN CAPITAL

Enablers/Champions

- GK, Ateneo, IIX, AVPN, Ashoka
- Founders of SEs: Rags2Riches, Hapinoy, Gawad Kalinga, Human Nature

Capacity builders

- SEDPI, XChange, PEF, GKonomics, Enchanted Farm, Asian Social Enterprise Incubator, IIX volunteers, IRRI
- Public foundations: FSSI, PEF, FPE
- Consuelo Foundation, PinoyME Foundation
- Mainstream incubators: Ideaspace, kickstart
- Entrepreneurship advocates: JuanGreatLeap, GoNegosyo
- Bankers Without Borders
- Ateneo, Asian Institute of Management, NUS, Institute for Social Entrepreneurship in Asia (ISEA), Benita and Catalino Yap Foundation (BCYF)

SOCIAL CAPITAL

Networks/Platforms

- PBSP, AF, LCF, CODE-NGO, PhilSEN, AVPN, SENA

Convenors

- AVPN, IIX, ADB, xchange, Ateneo University, British Council

INTELLECTUAL CAPITAL

Thought Leadership and Understanding What Works

- xchange, Ateneo, Asian Institute of Management, NUS, AVPN, SENA, IIX

CONCLUSION

The Gawad Kalinga movement as well as the country's first generation of Social enterprises have helped create a buzz around the ideas of community work and social entrepreneurship. Leadership from civil society and the corporate sector in creating domestic pools of capital has made the Philippines an early adopter of social investment. However, these new approaches are mostly still in an early stage of evolution, and have yet to catch the imagination of traditional, mainstream development or philanthropic practitioners. Overall the sums of money currently being deployed through each of these new approaches remains small and insufficient to make a significant impact on key development indicators. This is a function of both the limited pools of capital currently available as well as the absorptive capacity of potential investees or recipients.

The challenges faced by the country's first batch of social entrepreneurs and new nonprofit leaders, and their responses to these challenges are leading to the development of a nascent ecosystem to nurture the next generation of SPOs. In order to effectively address endemic social issues on a larger scale, efforts should be focused on support in the following three areas to help build strong SPOs: Growing the demand side (human capital), understanding what works (social/intellectual capital), and unlocking capital (financial capital).

1. Growing the demand side

a. Capacity building: Build a platform to match teams sourced from existing pools of experienced business managers (e.g., GK volunteers from corporate sector, PBSP members) to work with the SPO leadership in providing hands-on strategic, sector and functional support. Existing network and incubators should invest in creating centralised grant-funded support for SPOs to professionally handle organisational roles such as accounting, legal support, and marketing. The service for its investees in xchange is one example of this.

b. Tapping the mainstream: Embed specialised social sector linkages in mainstream technology or industry incubators as well business plan competitions

c. Replication: Instituting social franchising among existing networks such as PBSP, Association of Foundations, League of Corporate Foundations, CODE-NGO, PhilSEN to seed and spin off proven SPO models and best practices to different regions of the country.

2. Understanding what works

a. Research: Initiate research into analysing social challenges to map out models of success and reasons for failure–development impact, efficacy in fund use, and achieving scale–of key interventions.

b. Cross-sectoral dialogue: Use issue-focused research to initiate reflection / discussions among key stakeholders with the goal of crafting new approaches to addressing endemic issues.

3. Unlocking capital

a. Calibrating funding need: Generate new pools of domestic risk capital for venture philanthropy and impact investing to fund home-grown ideas. Develop models to unlock bank sector lending for SPOs, particularly for smaller funding needs below the USD 50,000 level.

b. Support for field building: Mobilise philanthropic capital to fund vital intermediaries ranging from incubation, capacity building, and TA services to research.

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SINGAPORE

INTRODUCTION

Singapore is indisputably one of Asia's great development success stories, whether measured purely in terms of either economic or human development. However, despite Singapore's economic wealth and substantial social advances, there is increasing recognition that many unmet social needs remain. The 2011 General Election marked a pivotal moment in the expression of public sentiment on social issues, motivating considerable reflection within government. In his National Day Rally speech in 2013, Prime Minister Lee Hsien Loong signalled a significant change, remarking amongst his opening words that "Singapore is at a turning point" and spending most of his speech highlighting social issues and the need for Singapore to "make a strategic shift in our approach to nation building."[1] He also emphasised that both the community and the government have a greater role to play to assist vulnerable groups.

The 2014 Budget reflected these new social priorities with considerable increases in social spending. While new resources will certainly make a significant difference, government cannot fill the gap alone. In the social sphere, Singapore's government is already a strong presence, accounting for nearly three-quarters of all funding support provided to Singapore NPOs. While well-supported compared to the NPO sectors in other countries in the region, and despite a history of service to the community dating back prior to Singapore's independence in 1965, the sector remains immature in many ways, with many NPOs largely operating as fee-for-service providers. Resources to support advocacy and more innovative, higher risk, social change efforts, often the mainstays of NPO sectors elsewhere, are relatively scarce.

Both individual and institutional philanthropy are growing, in part due to proactive government efforts that have provided significant tax incentives for philanthropic giving as well as investments in supportive field infrastructure for philanthropy.[2] However, philanthropic giving is still at relatively modest levels given Singapore's wealth and there remains considerable potential for growth. Family foundations have long played a prominent role and corporate foundations are now a significant and growing presence. Institutional philanthropy can play an instrumental role in supporting innovative approaches and capacity building, however much of Singapore's institutional philanthropy has taken the form of traditional charitable giving. A number of recently established philanthropic organisations are trying to promote more strategic giving. These include donor advisory providers as well as groups practising or promoting venture philanthropy, which adopts a more "investment-minded" approach[3] to financial and other forms of support provided.

As a complementary approach to addressing social needs in Singapore, concerted support for new social enterprise efforts began in 2006.[4] Social investment activities involving a range of funding organisations—government foundations, venture philanthropists, impact investors and socially minded corporates—have developed in tandem and this newly developing ecosystem is evolving into an increasingly vibrant community with new talent being attracted to work on social issues. While social investment can involve the reorientation of traditional philanthropic support, it also appeals to new sources of socially-minded financial capital. In the last year alone, the variety and frequency of social investment related activities has blossomed. While still at an early stage, the activity and interest generated bode well for the field's expansion and growth.

As Singapore's social ecosystem develops to address its domestic priorities, Singapore is also playing an expanding regional role. While not considered the region's most promising domestic market for social investment, as the region's leading financial centre, Singapore has great potential to serve as a hub for both social investment and traditional philanthropy. Efforts made by Singapore's Economic Development Board (EDB) since 2007 to promote and support Singapore as regional hub are now beginning to bear fruit with a number of prominent international organisations now located in Singapore, including several field support organisations for philanthropy and social investment.

Much still needs to be done to ensure an effective and resilient approach to addressing social needs. Broad challenges include the need to reorient financial and human resources to address a variety of current gaps, including further capacity building amongst all forms of social purpose organisations, both social enterprises and NPOs, and enhanced sharing and collaboration across the social ecosystem. While these may not be easy to address, recent developments suggest that Singapore, with new political will and increased resources directed towards social issues, has the potential to be a leader in this field as it has in other areas of development.

Background

An economic success story

As echoed in the title of former Prime Minister Lee Kuan Yew's modern history of the city state, Singapore has the signal achievement of having moved "From Third World to First" in a single generation. It is unique amongst all other countries included in this study for a number of reasons: it is a wealthy, industrialised city state with no rural poverty to address, it has experienced great political stability through more than four decades, and is poised to serve as a hub for the region both geographically as well as in terms of infrastructural and institutional support systems. It is home to 7,000 multinational corporations and as the world's fourth ranked financial centre is Southeast Asia's main financial hub.[5]

Singapore is the highest income country in Southeast Asia, with per capita gross national income (GNI) in 2012 of USD 47,210 (above the UK, France and Germany amongst others), and far ahead of the next ranked Southeast Asian country, Malaysia, with a per capita GNI of USD 9,820.[6]

Besides economic success, Singapore also does well in terms of traditional measures of human development. The nation ranks amongst the top decile in terms of the UNDP's 2013 Human Development Index, placing 18th out of 185 countries.[7]

Despite country's wealth, inequality and poverty are concerns

Singapore's economic success has not been equitably distributed however and there are rising tensions as inequalities within Singapore society widen. Singapore's Gini coefficient, a commonly used measure of inequality, has been increasing, and with a Gini of 0.478 in 2012, it has one of the highest levels of inequality in the developed world.[8] Singapore has no minimum wage and there is a large segment of the population, many of whom are older, poorly educated, blue collar workers, who barely earn a subsistence living. While Singapore has no official poverty line, estimates using government data suggest that 12 percent to 14 percent of resident Singapore households were living below an unofficial poverty line of SGD 1,500 per month in household income.[9]

One of main factors contributing to the large numbers of working poor in Singapore is the sizeable presence of low wage foreign workers that has kept blue collar wages in check. Of a total labour force of 3.44 million in 2013,[10] 1.31 million, or nearly 40 percent, were foreign workers. Of these, the large majority, nearly 1 million, were lower wage workers on Work Permit visas. With low wage foreign workers comprising nearly a third of Singapore's workforce "competing" for lower skilled jobs, the wages of blue collar Singaporeans have thus remained extremely low.

Increasing recognition of need to provide greater social assistance

There is increasing recognition in Singapore of the need to provide more assistance to vulnerable groups such as the elderly poor, the working poor, the mentally ill, the physically disabled, and single headed households among other disadvantaged populations.[11] For example, in 2012 only 10 percent of the disabled population were able to find work in the open jobs market.[12] In contrast, most developed countries' disabled labour force participation generally ranges from 30 percent to 50 percent.[13]

To provide more employment opportunities to vulnerable groups, a number of work integration social enterprises (WISEs) have been set up and several are among the best known examples of social enterprises in Singapore. As of September 2013, 34 percent of the members of the Social

Enterprise Association (SEA), an organisation set up to support the development of social enterprises in Singapore, were WISEs.[14]

While there are no official estimates available of the numbers of elderly poor, a number of trends indicate increasing economic hardship amongst the elderly. From the latest State of the Elderly Report issued by MCYS in 2009, a striking upward trend in labour force participation amongst the elderly was observed, rising from 10.4 percent in 2004 to 17.2 percent in 2009 amongst those 65 and above.[15] The National Survey of Senior Citizens 2011 subsequently found that for just over 70 percent of those working in that age group, the main reason for working was either needing money for current expenses or future financial security.[16] This would imply that about 12 percent of those 65 and older face financial challenges significant enough to require them to work. It could well be that those employed are in fact the fortunate ones who were able to find work, as the survey also found that over 76 percent of those above 55 reported facing difficulties in their job search due to their age.[17]

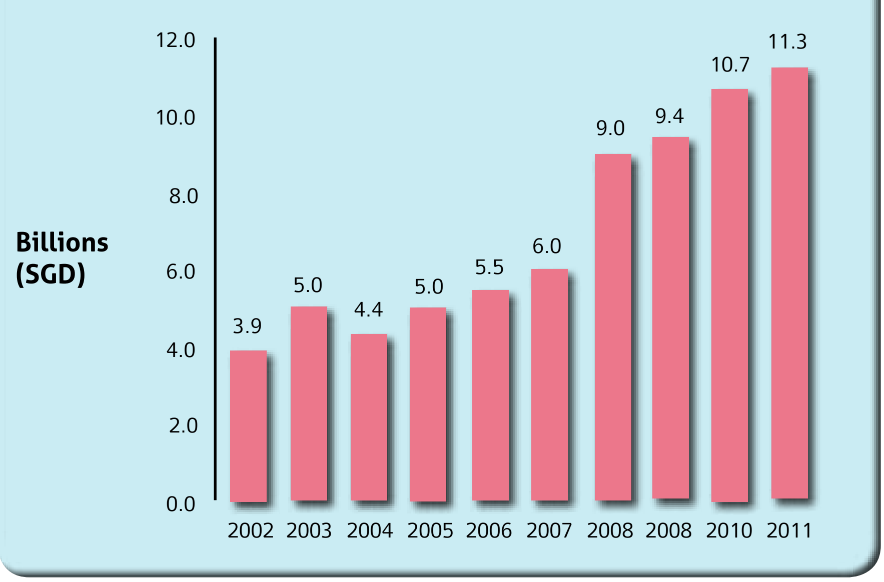
While Singapore has always been staunchly anti-welfarist in its approach to social protection, there is increasing recognition of the need to better support vulnerable populations. A substantial new social support scheme, the Pioneer Generation Package, was launched to support the 450,000 Singaporeans aged 65 or above in 2014. It provides lifelong subsidies for healthcare as well as cash assistance for those with moderate to severe disabilities. There appears a significant change in attitude towards the poor and vulnerable both from the general public as well as government leaders. In addition to increases in social spending where needed, the time is ripe to further expand social investment efforts to help address the needs of vulnerable groups.

which are monitored, and the COC also regularly de-registers NPOs. Registered charities whose activities benefit the broader Singapore community can additionally apply to be recognised as Institutions of Public Character (IPC), a designation that confers significant advantages in fundraising as donors receive generous tax deductions of 2.5 times the amount donated. As of December 2012, there were 2,130 registered NPOs in Singapore, of which 580 were also IPCs.[18]

Sector has grown rapidly in the last decade

With the annual reporting requirements imposed on registered nonprofits, there is data available on the sector in Singapore that is not available in other countries in the region. Over the last 10 years, the sector as measured by the total income of all charities, has grown nearly three-fold, from total revenues of SGD 3.9 billion in 2002 to the latest available total income figure of SGD 11.3 billion at the end of 2011.[19] This substantial increase in resources to the sector is largely directed towards the expansion of existing NPOs as the absolute number of NPOs has increased by a much more modest 36 percent over the same period.

Figure 1: Total Annual Income of Singapore's Registered Charities



NPO SECTOR IN SINGAPORE

Singapore's NPO sector highly regulated

Compared to its Southeast Asian neighbours, the NPO sector in Singapore, also often referred to as the "charity sector", is highly regulated. All organisations established for exclusively charitable purposes can apply to be registered with the Commissioner of Charities (COC) and enjoy exemption from income tax. Annual reports need to be submitted

Education nonprofits account for much of the income of the sector

The COC divides the sector into seven categories of NPOs: religious and other, arts and heritage, social services, health, education, community and sports. Social service NPOs are typically referred to as voluntary welfare organisations (VWOs) in Singapore and are probably the most publicly visible of NPO groups.

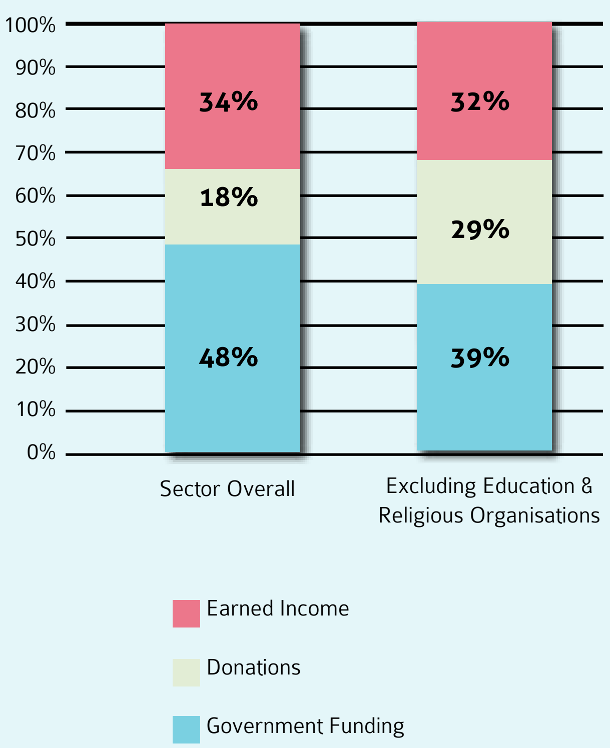
Education-related NPOs dominate the sector, accounting for 64 percent of the sector's total income. While the growth of the sector over the last decade has been impressive it should be noted that much of this growth is likely due to the growth of the education NPOs. Available data from the COC annual reports does not enable a calculation of sector growth excluding education NPOs, but over the period, two new universities ramped up operations and polytechnics and independent schools also grew strongly over the last decade.

Government is the largest source of funds

Of the sector's total annual income, 34 percent is from earned income and other sources excluding government support and donations. The largest source of funds, 48 percent, comes from the government with donations accounting for the remaining 18 percent. Thus government support accounts for 72 percent of total funded income.[20]

Excluding two groups of NPOs with atypical income profiles – education NPOs, which receive particularly high levels of government support, and the religious or faith-based NPOs with exceptionally low levels of support from the government—the government remained the largest source of funds for the remaining NPOs, accounting for 39 percent of total income or 57 percent of funded income.

Figure 2: Charity Sector Income by Source, 2012



Nature of funding support limits resources for innovation and core organisational capacity building

Observers of the sector note that this high degree of reliance on government support impacts the sector's ability to innovate and experiment. In a 2011 article for Ethos, the journal published by the Civil Service College, Laurence Lien, then CEO of the National Volunteer & Philanthropy Centre (NVPC), expressed a refrain common to those engaged in the sector, "The reality in Singapore is that NPOs have in most cases become subcontractors, delivering social services on behalf of the Government. The brains and heart of social intervention remain with the state, while NPOs often simply follow the piper's tune."[21]

Another feature of most government funding to NPOs is that it tends to be programme funding and thus closely tied to specific key performance indicators (KPIs) in a "fee for service" model. Other private funders also tend to support programme-specific funding. There is thus a dearth of financial support for exploring innovative new approaches for which KPIs might be harder to meet and also a lack of support for core organisational capacity building that is critical to strengthening organisations and ultimately the sector as a whole.

Government-funded field support organisations play a significant role

A unique feature of Singapore's NPO ecosystem is the presence of several substantial government funded field support organisations. Examples include the National Council of Social Services (NCSS), the National Volunteer & Philanthropy Centre (NVPC), SG Enable and the Agency for Integrated Care (AIC).[22] These efforts represent significant commitments to strengthen the sector with staff sizes of these organisations ranging from 60+ (NVPC) to 500+ (AIC). All of these organisations provide capacity building support for NPOs involved in their areas of activity. This support can take the form of skills training for NPO staff, grant support, the building of platforms for communication and information exchange that serve their fields at large and/or coordinating activities including those in the form of strategic planning for their fields.

Government-funded Field Support Organisations

NCSS assists to coordinate the social services sector and provide a stronger bridge between the Ministry of Social and Family Development (MSF) and VWOs, as well as strengthen the capacity of social service organisations by providing technical assistance, training, research and assistance with sector recruitment.

NVPC's primary mandate is to strengthen the public's connection to social issues by promoting and facilitating volunteerism and philanthropy. It also houses the Community Foundation of Singapore and the Centre for nonprofit Leadership, efforts to strengthen strategic philanthropy in Singapore and nonprofit leadership respectively.

SG Enable supports organisations providing services to persons with disabilities (PWDs), works to enhance PWD employment and employability, as well as provides grants and referral services for PWDs.

AIC supports and helps to coordinate the efforts of NPOs and other providers of intermediate and long term care services to enhance the quality of life for the elderly through a variety of activities including managing referrals from acute care settings, capacity building, standard setting, and supporting research and programme innovation.

Recent growth of international organisations as regional NPO and philanthropy hub strategy pursued

A relatively recent change to Singapore's NPO sector is the increasing presence of NPOs that work regionally and internationally. Starting in 2005, the Economic Development Board (EDB) initiated efforts to develop Singapore as a regional hub for NPOs and philanthropy, building on the many advantages that have led to Singapore's emergence as a regional business and financial centre.

To support these efforts, the EDB's International Organisations Programme Office (IOPO) was established in 2007. IOPO activities include the active recruitment of international NPOs and the possible provision of start-up grants. In addition, some enabling policy changes were made such as providing exceptions to the 80:20 expenditure rule for fundraising so that private fundraising efforts are no longer needed to ensure that 80 percent of funds raised are dedicated to causes in Singapore.[23] This has encouraged a number of international groups to establish a presence here and as of April 2014, the number of international NPOs located in Singapore was 140, quadruple the number in 2005.[24]

Developing skills and capacity continues to be a priority

Building the skills and capacity of the sector remains an ongoing priority as noted by many interviewees for this study as well as Gillian Koh and Debbie Soon in their 2011 overview of civil society in Singapore.[25] There has been increasing support for capacity building efforts such as the training provided by the Social Service Institute[26] at NCSS and the Learning Institute at AIC. Also since 2009, three new nonprofit leadership and management programmes targeting senior management of nonprofits have been developed by NVPC, the Lien Centre for Social Innovation and the Lee Kuan Yew School of Public Policy. While these efforts can only help, there is widespread recognition that capacity building remains one of the sector's key challenges.

Capacity building for the sector also extends beyond training and skills and includes the ability to attract talent to the sector. Social sector compensation remains low compared to attractive private sector opportunities in Singapore, and developing a cadre of well qualified and capable nonprofit leaders is a challenge. Funders and social sector organisations need to evolve pay scales over time in order to speed up professionalisation of the sector.

PHILANTHROPY IN SINGAPORE

As one of the wealth capitals of Asia, there is high potential for philanthropic giving

With Singapore's recent emergence as a major centre for private banking globally, there is great potential for Singapore to grow as a regional hub for philanthropy. Along with Hong Kong, Singapore is the world's second most popular destination for off-shore wealth, behind only Switzerland.[27]

With substantial offshore wealth along with its own domestic wealth, there is also considerable scope for Singapore-based high net worth individuals (HNWIs) as well as the general public to increase their philanthropic giving.[28] According to the Boston Consulting Group's 2013 Global Wealth Report,[29] Singapore ranks as the fifth highest country in the world in terms of the proportion of millionaire households at 8.2 percent and sixth highest in terms of ultra high net worth households who have financial assets above USD 100m.[30]

Lack of data limits understanding of the development of the philanthropic sector

A challenge to better understanding the state and growth of philanthropy is the limited data available on levels of giving as there are no public reporting requirements placed on grantmakers. While data on contributions to Singapore registered charities are well-documented by the Commissioner of Charities, these notably exclude contributions abroad. These are likely to be significant due to the large presence of foreign nationals in the resident population as well as non-resident foreign HNWIs who are likely interested in supporting causes in their home countries. Given Singapore's developed world status, many Singaporeans are also keen to support causes in less developed countries in the region.

Philanthropy appears to be on the rise

Available data from the COC, which is limited to domestic giving, shows that philanthropic giving is increasing in absolute terms because both individual and corporate donations to IPCs have demonstrated considerable growth since 2001.[31] (See Figure 3.) Individual giving in particular appears to have risen rapidly in recent years, with an increase of 290 percent between 2001 to 2012 with corporate giving growing almost 60 percent over the same period.

Individual Philanthropy

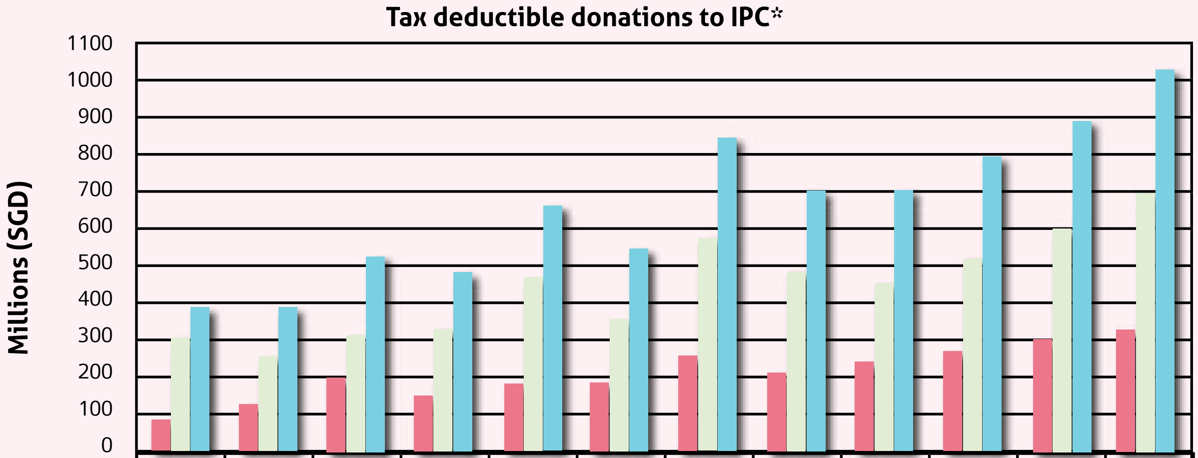
Marked growth in individual philanthropy

In general, experts interviewed for this study have observed a notable rise in individual philanthropy in recent years, concurrent with the trend reported by the COC data. There appears to be better awareness of issues that need to be addressed and in general, more community and crowd-based support. NVPC's Individual Giving Survey findings support this observation, as does the rising popularity of charity portals launched such as NVPC's SG Gives, which has helped generate over SGD 14.7 million in support since its inception in 2010.[32] Similarly, the crowdfunding website Give.Sg, also launched in 2010, has facilitated donations of nearly SGD 3 million for Singaporean NPOs as of April 2013.

Despite rising philanthropy, levels of giving still modest

Current levels of individual giving are still relatively modest. NVPC's 2012 Individual Giving Survey[33] indicates very high participation in giving at 91 percent ; however, the average donation size suggests total individual giving of SGD 1.1 billion nationally, amounting to 0.3 percent to 0.4 percent of GDP.[34] This figure for individual giving is broadly consistent with COC data from which one can derive an estimate of total individual giving captured by registered charities of approximately SGD 1.4 billion,[35] although the NVPC data includes overseas giving (which accounted for 14 percent of individual giving in 2012) and the COC data captures only domestic giving. In comparison, the US, which has a similar per capita income to Singapore[36] and is recognised as one

Figure 3: Growing Donations to IPCs by Source



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Individual	85	131	202	150	182	184	255	211	240	269	292	330
Corporate	296	251	310	325	462	351	565	475	447	507	605	701
Total	381	382	512	475	644	535	820	687	687	776	897	1031

*IPC: "Institutions of a Public Character" – a nonprofit charity, institution or fund meeting certain qualifications and approved by the government of Singapore.

Source: Adapted from chart constructed based on dated from Commission of Charities Annual Report.

of the most philanthropic countries in the world, was estimated to give 1.5 percent of GDP.[37] However, it may also be that relatively low overall tax rates, combined with a traditional preference for anonymity in giving, may mean that giving is significantly under-reported and not fully captured within the tax system, in spite of generous tax incentives to declare gifts.

Family Foundations

A significant presence in the philanthropic landscape

Singapore is home to several large and established family foundations. While government-based entities comprise the majority of institutional grantmaking in Singapore, family foundations are a significant presence.

A 2009 study by Chang and Teo[38] found that family foundations comprised 74 percent of all grantmaking entities and accounted for 19 percent of all giving.

Table 1: Profile of Grantmaking Entities

	% of entities	% share of giving
Family foundations	74%	19%
Special interest/affinity groups	38%	3%
Corporate foundations	14%	3%
Government-based grantmakers	1%	74%

Family philanthropies in Singapore have the resources to contribute substantial amounts. For example, the Lee Foundation, one of the country's largest family philanthropies, provided SGD 150 million in 2011 to support the new medical school at Nanyang Technological University and, among many other gifts, in the past has provided SGD 60 million to support the National Library Board. One issue for the social investment approaches that are the focus of this study is that major institutional 'incumbents' within the charitable sector are able to offer additional incentives which risk crowding out new innovative entrants. For example, in addition to having well-staffed development offices, Singapore's universities are able to offer a two times match from government sources for private giving.

Some characteristics of Singapore family foundations

A study on family philanthropy in Asia published by UBS-INSEAD in 2011 provided some insightful findings on family foundations in Singapore.[39] Key findings included:

- Singapore family foundations provided 33 percent of their support abroad, by far the highest proportion compared to the average of 12 percent for all countries in the study.
- Education is the most favoured cause amongst Singapore family foundations with the study projecting that education would garner 50 percent of family foundation funding support in 2011.
- The number of family foundations has grown considerably in recent years and more than half (56 percent) of the families included in the study had initiated their philanthropic activities sometime between 2000 and 2011, in contrast to only 19% who had been in operation prior to 1990.
- Singapore family foundations utilise the highest proportion of professional management at 75 percent compared to the study average of 51 percent. Interestingly, amongst professionalised philanthropies, only 21 percent of Singapore family philanthropies are identified as "nonprofit legal entities principally managed by professionals," in comparison to a study average of 50 percent, suggesting that while Singapore families employ professional management, they maintain a considerable degree of control.

The considerable family control exercised over family philanthropies would be consistent with feedback from interviewees for this study who observe that family philanthropies are still largely family managed. However, they note that a gradual generational shift is starting to take place and younger family members are demonstrating a much greater interest in professionalising their family giving. Younger philanthropists are more attuned to accountability mechanisms and strategic approaches to maximise results, and they are also more likely to champion social investment approaches.

Another feature is that the Asian model of philanthropy has generally been to "do well first" and then give, thus most of the family philanthropies in Singapore are still largely managed by the older generation who first built wealth whose giving preferences tend to be more traditional and conservative. Asian family philanthropies also tend to be quieter about their giving, which constrains sharing, learning and openness to new approaches.

Potential for strategic philanthropy

As family philanthropy comprises the majority of funding from institutional funders independent of government, and as institutional funders with professional staff are much better equipped to engage in strategic philanthropy, family philanthropy has great potential to drive and support innovation in the social sector. Singapore can boast some strong examples of strategic and impactful family philanthropy.

Case study:

The Tsao Foundation

The Tsao Foundation provides an impactful example of a dedicated long term philanthropic commitment to fostering change in a particular issue area. It is widely regarded as a leader in the field of eldercare in terms of direct service provision, capacity building and thought leadership both locally and internationally.

The Foundation is an operating foundation that was set up in 1993 by Tsao Ng Yu Shun to enhance the quality of life for the elderly. She was then 86, and having also been a caregiver for older relatives, she was driven by a deep empathy for those growing old with little support. The foundation has been guided ever since to support the elderly to age at home and to have information, choice and the ability to exercise self-determination.

Since its establishment, it has been led by family members, most notably by the founder's granddaughter, Dr Mary Ann Tsao, who now chairs the Foundation and was previously its Founding Director, CEO and President, with other family members involved in board roles.

As the Foundation is supported by a business family, financial sustainability has always been a key objective, with the expectation to decrease reliance on family funds over time. Current activities of the Foundation are supported by government and other sources of funding support (including some partnerships with other foundations), and also by the revenue generating activities of the Foundation. Now only a quarter of the Foundation's annual budget of SGD 7 million is supported by family funds.

Since its inception, the work of the Foundation has continuously evolved to meet changing needs and priorities. It began its work by providing needed direct services to the community, including medical home care and a primary care centre designed for seniors, and later adding a clinic focused on acupuncture and traditional Chinese medicine as well as a care management service to coordinate medical and social services.

These services were complemented by the Foundation's knowledge sharing efforts, including the hosting of many talks and forums, often inviting international experts. To increase standards of care and knowledge of successful aging the Foundation established the Hua Mei Training Centre in 2001 (now the Hua Mei Training Academy) which now provides training to professionals as well as informal caregivers.

To further understanding of ageing as well as enhance advocacy efforts, the Foundation has, since 2005, supported research, including a sizeable contribution to fund the Tsao Foundation Ageing Research Initiative, a collaboration with the National University of Singapore.

Some interesting numbers for 2013:

- The Hua Mei Clinic saw almost 2,500 patients.
- The Hua Mei Acupuncture and TCM Centre handled more than 8300 patient visits.
- TThe Hua Mei Training Academy conducted 170 talks reaching 6,600 attendees, 72 workshops with more than 1,400 participants, and 73 trainees graduated at Higher Certificate, Advanced Certificate and Professional Diploma levels.

Family offices and support for social investment

Alongside family foundations, the emerging institution of the "family office" which holds and invests assets for wealthy families, is emerging as a key early stage supporter of social investment approaches, notably impact investing. Singapore is the largest centre for such family offices in Asia, including a number of family offices holding wealth for non-Singaporeans. As in the US, such family offices are key early stage investors in ventures seeking a double bottom line of social as well as financial return. One example would be the Richard Chandler Corporation, which invests in health and other businesses promoting social development in the region.

Some philanthropists, recognising the potential of family philanthropy, have supported networking and capacity building organisations for family businesses that also try to encourage family philanthropy. The Family Business Network Asia (FBN Asia) is a Singapore-based nonprofit that exists to promote the success and sustainability of family businesses. FBN Asia has been championed by the Tsao family (supporters of the Tsao Foundation profiled earlier in this report), who through their family business IMC Pan Asia Alliance are also significant investors and promoters of impact investing as far afield as China. Philanthropic support has also been provided to Singapore Management University's Business Families Institute launched in 2013.

Corporate Philanthropy

Rapidly emerging as a significant influence

There has been a growing emergence of corporate philanthropy in recent years as businesses have become more motivated as well as sensitive to pressures to demonstrate good corporate citizenship. For corporates operating in Singapore and making donations to IPCs, the added attraction of a 250 percent tax deduction is likely to be of considerable assistance in motivating corporate philanthropy. As elsewhere in Asia, it can be hoped that the corporate sector can be a catalyst in promoting social investment approaches.

For several corporates this has led to the formation of new foundations in recent years. These efforts can be sizeable and there appears much opportunity for growth as many corporates are yet to be engaged.

Some recently formed corporate foundations include:

- DBS Foundation—launched in 2014 with a SGD 50 million commitment to be expended throughout its Asian markets.
- NTUC Fairprice Foundation—launched in 2008 with a pledge of SGD 50 million to be disbursed over 10 years.[40]
- Temasek Foundation—launched in 2007, targeting much of its funding throughout Asia, has expended SGD 115 million cumulatively through May 2013.
- Keppel Care Foundation—launched in 2011 with the pledge to commit up to SGD50 million over the next 10 years; in 2012, it committed SGD 9.7 million to a variety of IPCs.

In recognition of the potential for corporate philanthropy, NCSS has recently strengthened its efforts to collaborate with corporates for contributions to the Community Chest and the Community Foundation of Singapore is increasingly assisting to facilitate corporate giving.

Scope to be more strategic

Several of the interviewees for this study have remarked on the growing potential of corporate philanthropy but also note that while corporates are more actively engaged in social issues, their engagement in general is still in the manner of traditional CSR efforts and volunteerism as opposed to more strategic philanthropy.

As a professionally staffed form of philanthropy emerges (even if staff are generally not exclusively engaged in philanthropic roles and are often part of marketing departments), it has been noted that, in contrast to family philanthropies, corporate philanthropies are more willing to share their work and engage in networking activities.

Keppel Care Foundation

The Keppel Care Foundation was established in 2011 and Keppel Group is committing up to 1 percent of their annual net profits to the foundation, up to SGD 50 million over the next 10 years.

In its first year of operation in 2012 it provided SGD 9.7million in funding. The bulk of this support, SGD 4.2million, was to the National University of Singapore (NUS) for programmes including the Keppel-NUS Vietnam Programme in Medicine and the SR Nathan Professorship in Social Work. Other areas of activity and organisations supported included:

- Eldercare—Lions Home for the Elders, Nature Cares (to bring the healing properties of nature to the elderly)
- Families in need—Ang Mo Kio Family Service Centre, Promisedland Community Services
- Support to the disabled—Singapore Association of the Visually Handicapped, Singapore Association for the Deaf, the Association for Persons with Special Needs
- Healthcare—Dover Park Hospice, Kwong Wai Shiu Hospital, Singapore Cancer Society
- Education—Singapore University of Technology and Design (SUTD), Singapore Polytechnic, Singapore Institute of Technology (help for needy students)

In line with Keppel Group's three key business thrusts embedded in its mission statement, Sustaining Growth, Empowering Lives and Nurturing Communities, the foundation supports causes with the following objectives:

- Advance and improve the well-being of the poor, needy, aged or underprivileged as well as promote and foster community spirit;
- Advance the cause of education, whether general, professional or technical;
- Promote, foster and support efforts to improve and protect the environment;
- Provide relief from human suffering and improve the standard of human life by the prevention, combating and treatment of sickness and disease.

Case Study:

The Lien Foundation

With innovative and multi-pronged approaches to fostering change in its core areas of focus, the Lien Foundation's 'radical philanthropy' has catalysed significant and rapid change both within Singapore and internationally.

The Lien Foundation was founded in 1980 by the banker and businessman, Dr Lien Ying Chow, to which he provided half of his wealth. In its early years the Foundation focused its support on education but under the leadership of its first professional staff, Lee Poh Wah, who joined the Foundation in 2005, it has focused largely in three areas: early childhood education, end-of-life care, and water and sanitation. In recent years, the Foundation's annual disbursements have averaged SGD 10 million to 11 million annually, but many would argue that the value of the Foundation's impact far exceeds its expenditure.

The effectiveness of the Foundation's radical philanthropy can be illustrated by their work in early childhood education and end-of-life care:

Early childhood education. The Foundation has played a key role in bringing the issue of early childhood education to the fore of national policy. One of three research projects they supported in 2012 was a seminal report by the Economist's Intelligence Unit, Starting Well, that developed an index to benchmark early childhood education. Of the 45 countries included in the study, Singapore ranked 29th, attracting considerable attention amongst Singapore policymakers. A second research project explored challenges facing the pre-school sector in Singapore and made recommendations for moving forward, and a third study surveyed Singaporean parents, highlighting their concerns. In the Prime Minister's National Day Rally speech in August 2013, a new statutory board to oversee pre-school education was announced. This was followed by a doubling of government spending on pre-schools to SGD 3 billion over five years and the setting up of 15 pilot kindergartens under the Ministry of Education. The speed of change was remarkable, with many giving considerable credit to the Foundation's work.

To complement this advocacy effort, the Foundation has also supported programme innovation. A programme called Mission: I'mPossible that provided intervention support for children with mild learning needs in their pre-school setting has now been scaled up as a national programme in mainstream pre-schools. Another recent programme is Circle of Care, that combines high quality early childhood education with other social services, and recently, the Foundation has provided a SGD 3 million grant to NTUC First Campus and SEED Institute for work to develop new pre-school models and early childhood education research.

Philanthropy Ecosystem

In comparison to its regional neighbours, the philanthropic ecosystem is relatively well developed in Singapore.

Well-developed regulatory framework and policy environment

There is a strong regulatory framework for nonprofits and the Commissioner of Charities provides effective oversight over the sector as appropriate registration and annual reporting requirements are enforced. In addition, there has been supportive legislation to encourage philanthropy, such as generous tax deductibility of 250 percent for contributions to IPCs as well as substantial matching grants provided for contributions to institutions of higher learning.

Strong encouragement of domestic philanthropy but constraints on regional philanthropy remain

While some of the policy measures supporting philanthropy have been generous, they predominantly support philanthropy targeted for domestic causes and this bias has a negative effect on philanthropic support to regional or international causes. Specifically, public fundraising for causes abroad is quite restricted with only 20 percent of funds raised through such efforts permitted to non-domestic causes. There is greater scope for private fundraising efforts to be remitted abroad but permits for fundraising activities must go through a tightly controlled approvals process that constrains the ability of organisations working on regional or international activities to raise funds. These policies are in place to encourage more philanthropy to be directed to local causes; however, philanthropy is not necessarily a zero-sum game and greater facilitation of regional and international philanthropy could well have a positive impact on philanthropy domestically. This perspective is congruent with the Economic Development Board's (EDB) efforts to promote both regional and domestic philanthropy, but current limitations on fundraising hinder such efforts.

There is some confusion with respect to what constitutes public as opposed to private fundraising and as these are important distinctions, particularly in fundraising efforts for regional causes, and observers have noted that this lack of clarity as well as the uncertainties of the permit application process has impeded fundraising efforts.

While tight control of fundraising activities ensure funds are raised for worthy causes, it has the negative effect of limiting more informal forms of philanthropy and community activism as fundraising permits can only be granted to registered charities.

Growing presence of field support organisations

With government efforts to promote Singapore as a hub for both philanthropy and international nonprofit organisations, there has been an influx of new field support organisations as well as new activities in existing organisations.

In NVPC, Singapore is fortunate to have a well-funded and capable field-building organisation to support volunteerism and philanthropy amongst individuals as well as corporate and family philanthropies. The statutory board NCSS also supports both capacity building in the social sector as well the growth of philanthropy. Both NVPC and NCSS have been developing new initiatives in recent years to further support greater and more effective giving. Few other countries have such resources available.

Philanthropy Field Support Organisations

Asian Venture Philanthropy Network

AVPN is a new field support organisation founded in 2012 to support the development of venture philanthropy in Asia. It is modelled after and works closely with a successful field support organisation in Europe, the European Venture Philanthropy Association (EVPA). As of September 2014, AVPN had 50 practising members and 116 affiliate members, demonstrating the rapid emergence of interest in venture philanthropy in Asia.

Community Foundation of Singapore

An initiative of NVPC, the Community Foundation of Singapore serves to assist HNWIs and corporate donors with more strategic giving. It has so far managed to secure SGD 44 million in pledges and it has disbursed SGD 10 million in grants since its founding in 2008.

Charities Aid Foundation South East Asia (CAF SEA)

CAF SEA is a registered charity that provides donor advisory services for giving in Southeast Asia. It was established in 2007 and is affiliated with the UK-based Charities Aid Foundation that supports over 50,000 NPOs and social enterprises globally.

Philanthropy services by private banks

Private banks have increasingly made their presence felt in the philanthropy space in Singapore with the launch of the donor-advised SymAsia Foundation by Credit Suisse as well as the presence of philanthropy advisers at numerous other banks including UBS, Coutts and Deutsche Bank.

New Trends in Philanthropy

The emergence of venture philanthropy

Some new groups have been established in recent years engaged in practising and promoting venture philanthropy. While there is no universally agreed definition of venture philanthropy, Singapore-based Asia Venture Philanthropy Network (AVPN), one the most active and well-regarded venture philanthropy organisations in Asia, describes its key characteristics as an "investment-minded" and performance-based approach that involves engaged and active partnership.[41] Venture philanthropy groups tend to be open to supporting either NPOs or social enterprises and to providing their funding support as either grants or social investment.

Singapore-based groups practising venture philanthropy include LGT Venture Philanthropy and also AP Ventures, which provides grant support but also non-financial support to strengthen the NPOs and social enterprises that they engage with. AP Ventures works with both local and regionally-based organisations.

Growing youth engagement

A marked trend in Singapore is much greater interest in social issues and activism in young people. Youth volunteerism is on the rise, and in Singapore a number of new groups have emerged, many of which have been founded by young people, to facilitate youth engagement in philanthropy and social causes. A good example is the site Give.sg, an online giving portal which encourages people to engage their social network in supporting a good cause. Give.sg is a start-up created by students at NUS and its key target group is the young, social media-savvy generation. This growing youth engagement is also one of the key drivers of the social enterprise sector, with new social enterprises headed predominantly by young entrepreneurs.

Growing interest in impact assessment

As family philanthropies undergo a generational shift and as corporates become increasingly involved in philanthropy there is now greater interest in better understanding the social impact of philanthropy. NCSS has promulgated a framework of outcome management amongst VWOs in Singapore, but other than this, systematic assessment of impact is still rare amongst social purpose organisations. Interest in impact evaluation has often come more from a gatekeeper perspective as opposed to an interest in building organisational capacity and effectiveness. In the view of many though, it is this latter motivation that is of greater value and is driving new interest in evaluation approaches.

Growing interest in volunteerism

One notable trend positively impacting many spheres of the social sector is the rise of volunteerism. NVPC's 2012 Individual Giving Survey also explored whether respondents had volunteered within the past 12 months. There was a marked change from 23 percent having volunteered in 2010 to 32 percent in 2012. Volunteerism amongst those earning SGD 5,000 to 9,999 showed a particularly high increase, from 25 percent in 2010 to 41 percent in 2012. This is consistent with observations from the experts interviewed for this study that volunteerism was increasing and in particular gaining access to volunteers offering professional services such as legal advice was now much easier than previously.

Building on this trend, an NPO, Conjunct Consulting, was founded in 2011 to create opportunities for professional volunteers to work with trained student groups to undertake consulting assignments for NPOs and social enterprises. By the end of 2013, over 24 projects had been completed for 19 organisations and 320 students and professional volunteers engaged and Conjunct claims that the demand for volunteer opportunities exceeds supply and many would-be volunteers have to be turned away.

SOCIAL ENTERPRISES IN SINGAPORE

While the nonprofit sector has experienced a gradual evolution over the last few decades more attention has been focused recently on the potential for social enterprises to address a variety of social needs in Singapore.

Precedents and evolution

Strong co-operative movement: Singapore's first social enterprises

Social enterprise and social entrepreneurship have recently caught the public imagination, particularly of youth interested in social causes, as a "new" approach to addressing social needs. However, social enterprise in Singapore has a long history rooted in co-operatives dating back many years prior to independence. The formative years for the co-operative movement were 1925 to 1940 during which over 43 cooperatives were formed. Co-operatives remain very much part of Singapore's fabric today with 83 registered cooperatives, the largest of which are the family of co-operatives under the NTUC umbrella.These remain a significant presence in everyday life for most Singaporeans. In addition to a variety of other services, NTUC co-operatives operate well patronised supermarkets, provide insurance and eldercare services, and one of its co-ops has also gone on to become the largest taxi operator in Singapore (though it has since become a listed company). Co-ops contribute SGD 600 million to Singapore's GDP and one in three working Singaporeans are members of a co-op.[42]

While the co-operatives firmly identify themselves as social enterprises—"Co-operatives are social enterprises formed by members, for members, for good" is a tagline on the website for the industry association for co-operatives, the Singapore National Co-operative Federation—in general they are still considered somewhat separately in the public consciousness from newer generation social enterprises that are generally more targeted at serving specific disadvantaged groups as opposed to the general public that has been the core target for Singapore's larger co-operatives.

Of newer generation social enterprises, there seem to be predominantly two groups—social enterprises that are part of or were founded by nonprofits and independent social enterprises, most of which have been founded within the last five to 10 years.

Government has played a strong role in catalysing the sector

In the early 2000s, the former Ministry of Community Development, Youth and Sports (MCYS) began to recognise that social enterprises had the potential to play an important role in enhancing Singapore's social safety net, both as a potentially self-sustainable way to provide products, services and employment to underserved communities as well as a new avenue by which the community at large could become more engaged in addressing social issues. Since then (now largely spearheaded by the Ministry of Social and Family Development (MSF) after MCYS was restructured in 2012), the government has undertaken a variety of activities to help catalyse the sector including providing financial support to SEs, seeding a field support organisation, the Social Enterprise Association (SEA), and a variety of efforts to engage new stakeholders and promote the sector.

Role of MCYS/MSF in Growing the SE Sector

In 2003, the then-MCYS launched the Social Enterprise Fund that provided seed funding for social enterprises that in 2005 became the ComCare Enterprise Fund (CEF) to focus on social enterprises that provide training and employment for the disadvantaged. The fund has now evolved to support start-ups as well as existing social enterprises. To explore ways to grow the social enterprise sector as well as encourage social entrepreneurship in Singapore, MCYS formed the Social Enterprise Committee in 2006. The Committee made a variety of recommendations including suggesting the formation of an industry association that led to the setting up of the SEA in 2009 with funding support provided by MCYS.

In its support of the social enterprise sector, the government has tried to be a catalyst, assisting to seed and grow social enterprises through funding support, raising public awareness of social enterprises, and supporting events to promote collaboration and knowledge building within the social enterprise community, including training support for social entrepreneurs. As a further indication of the government's commitment to support the development of social enterprise, shortly after taking up office, President Tony Tan instituted the President's Challenge for Social Enterprise Awards in 2012 to enhance awareness of the sector and to highlight the good performing social enterprises. As part of Singapore's regional contributions via ASEAN, Singapore hosted an ASEAN Forum in October 2014 on the theme of social enterprise and social entrepreneurship.

After the restructuring of MCYS into MCCY and MSF in 2013, MSF has taken on the lead role, amongst government agencies, to continue supporting Singapore's social enterprises. While it particularly focuses on supporting social enterprises involved in the social service sector, and in particular work integration social enterprises, it also supports cross-cutting efforts that can be relevant to all types of social enterprises such as training programmes and an information portal. Other government agencies focus on specific support to social enterprises relevant to the sectors they work in. For example, the National Arts Council works with arts and heritage social enterprises.

Current state of the social enterprise sector

Emerging sector still defining itself

Singapore has no official definition of a "social enterprise." On MSF's social enterprise web portal,[43] "social enterprises" are described as "companies that balance both business and social bottom lines" and also notes that business activities under VWOs can be considered social enterprises.[44] There are no specific registration requirements for social enterprises and they can be incorporated using a variety for organisational forms.[45]

There is a debate in the sector as to whether a clearer definition would be helpful for the field. Those calling for a clearer definition argue that clearer criteria for what constitutes a social enterprise would create greater clarity for the general public and also ensure that only organisations (be they enterprises or nonprofits) meeting some minimum standard of social purpose and revenue generation capability could call themselves social enterprises. This greater clarity could also potentially pave the way to engage potential investors to invest in social enterprises, or to consider benefits such as tax-free status or tax deductibility for investors for qualifying organisations. On the other hand, others feel that defining social enterprises is premature at this early stage and would hamper the development of the field, preventing it from evolving naturally and limiting its openness to new models and approaches.

There are SMEs with some socially oriented activities and nonprofits with revenue generating activities that could meet the loose definition of social enterprises in use currently. Many of these organisations would not identify themselves as social enterprises however, and when referring to the social enterprise community in Singapore, it is the group of organisations that self identifies as social enterprises that is being referred to.

Singapore social enterprise models

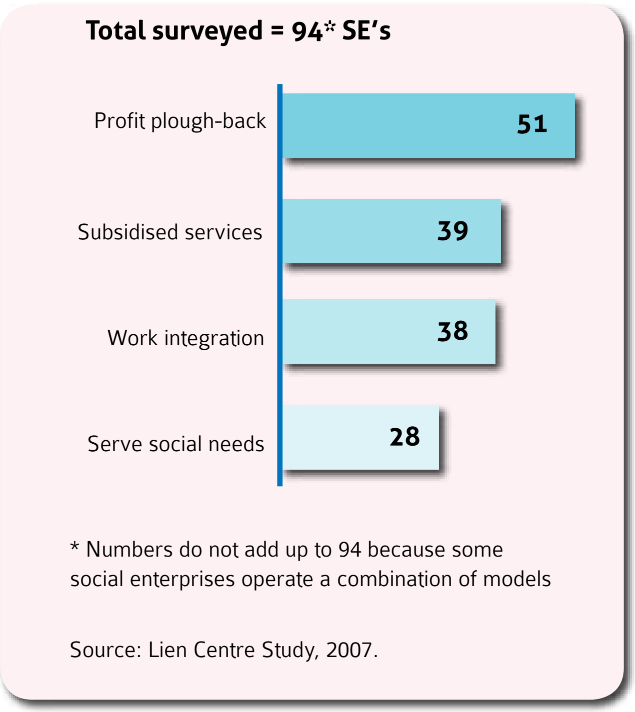
In Singapore, four models of social enterprises are commonly recognised.[46] Social enterprises can also be hybrids of these models:

- Social needs model: These social enterprises are designed to serve society's social needs or address certain social issues. These issues can include community bonding, family bonding and racial harmony. Example: Castle Beach and Social Creatives.
- Subsidised services model: These social enterprises provide subsidised services to needy and/or disadvantaged clients, and charge commercial rates to mainstream customers. This ensures that the people who could not usually afford certain services have access to such services to improve their quality of life. Examples: Bridge Learning and Hua Mei Clinic.

- Plough-back-profit model: The objective of these social enterprises is to generate profit to fund the social programmes of their affiliated or parent charities. This helps VWOs or charities reduce their reliance on donations and enhance their financial sustainability. Examples: O School and School of Thought.
- Work integration model: The Work Integration social enterprises (WISEs) provide skills training and/or employment opportunities for various marginalised communities (e.g., ex-offenders, recovering substance abusers, out-of-school youths, people with intellectual, physical and psychiatric disabilities, single mothers with low educational levels, and people living with HIV). Examples: Bizlink Centre Singapore and Eighteen Chefs.

The only data available on the prevalence of these various models is from the Lien Centre's 2007 study reported below. In the intervening years there has been considerable change in the sector and the prevalent models may now be quite different.

Figure 4: Prevalence of Social Enterprise Models in 2007



The social enterprise sector is growing

As there is no required registration for social enterprises, precise numbers of the population of social enterprises in Singapore are unavailable.[47] Recent estimates from key informants interviewed for this study suggest the number of social enterprises range from 200 to 400, including the 83 co-ops. These numbers are estimates of the population of self-identified social enterprises and, as noted in the recently published report on social enterprises by the Asia Centre for Social Entrepreneurship and Philanthropy, many other organisations could be combining business with social purpose but not regarding themselves as social enterprises.[48]

Lending credence to the above estimate is the number of social enterprise members of SEA, which was 145 in December 2013. Before members can join as social enterprise members, SEA conducts due diligence before accepting them. This can involve a phone interview or site visit and obtaining SEA membership is useful as a signal to others in the field on the legitimacy of the organisation's claims to be a social enterprise.[49] Currently, membership fees are relatively modest and it would be a fair assumption that a good proportion, though certainly not all social enterprises in Singapore are members.

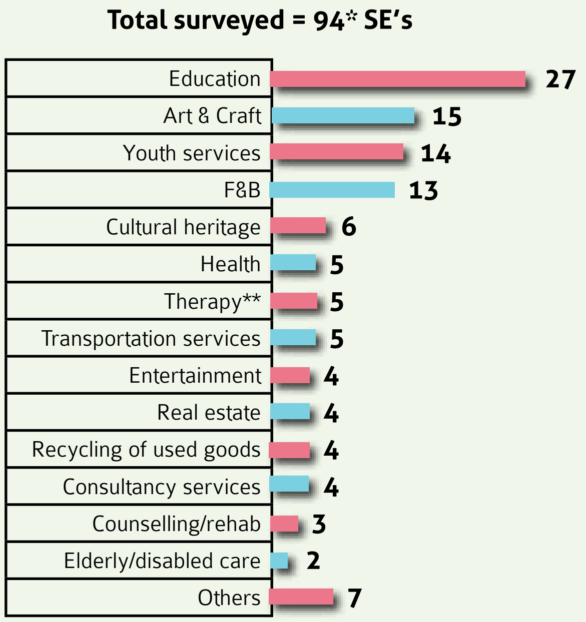
By comparison a Lien Centre study in 2007[50] managed to directly survey 94 social enterprises[51] and it estimated there were 150 social enterprises in Singapore in 2006/07, of which 100 were led by VWOs and 50 were independent SMEs.

Based on these estimates, as a very rough approximation, the sector appears to have approximately doubled in size over the last seven years.

Social enterprises seem to be moving towards social and welfare related interests

The profile of the interest areas of social enterprises seems to have shifted significantly towards greater involvement in social and welfare related issues. The categories which were used to classify social enterprises in the 2007 Lien Centre study are somewhat different from those used to categorise the current Social Enterprise Association's Social Enterprise (SEA SE) members,[52] and the social enterprise populations are not strictly comparable, but nevertheless, the differences appear quite stark. Education, the area the most 2007 social enterprises (29 percent) were involved in, attracted only 11 percent of the 2013 SEA SE members. Social and welfare issues, which 48 percent of the SEA SE members were involved in appears little represented by the 2007 Lien Centre sample.

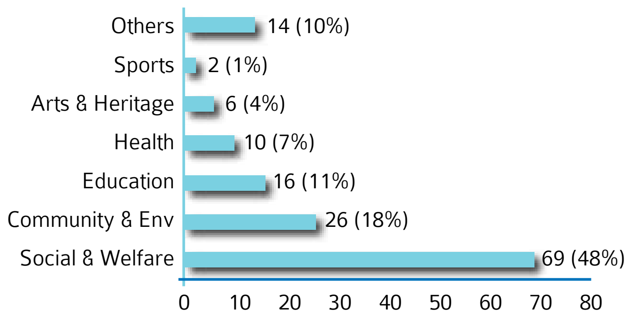
Figure 5: Areas of Activity for Social Enterprises



* Numbers do not add up tp 94 because some SEs are involved in more than one business.
** Includes dance therapy, art therapy

Source: Lien Centre Study, 2007.

Figure 6: Areas of Activity of SEA SE Members 2013



Low but rising public awareness of social enterprises

Awareness of social enterprises amongst the general public has been relatively low in recent years but it is likely to be much greater now. The only recent study available on public perception of social enterprises was conducted by the Social Enterprise Association (SEA) in 2010 and found that 13 percent of the general public had some awareness of the term "social enterprise." Of that group, only 2 percent could correctly recall the names of three social enterprises.[53]

There has since been greater media coverage of social enterprises, with the number of unique articles in the *The Straits Times* and *The Business Times* rising from about 40 in 2007 to over 160 in 2013.[54] There have been many more social enterprise related events in recent years as well, including four sizeable conferences in 2013 compared to only one in 2010.[55] Additionally in 2012, the inaugural President's Challenge Social Enterprise Awards (PCSEA) were launched in an effort to provide greater profile to the sector and to encourage social entrepreneurship more broadly.[56]

A corporate perception survey conducted on behalf of Southeast Asia in 2013 found considerably higher awareness of social enterprises, with 34 percent of respondents aware of social enterprises and 14 percent able to correctly recall at least one social enterprise.

Corporate engagement in social enterprises growing

In recent years a number of corporates have begun engaging with social enterprises as part of their CSR efforts. A leading Singaporean bank, DBS, has adopted support for social enterprise across the region as the main thrust of its CSR efforts since 2012, to be detailed later in this report. Other examples include the law firm Olswang, whose efforts include actively seeking social enterprises to meet their procurement needs wherever possible, the provision of pro bono legal services to social enterprises and matching social enterprise needs to possible pro bono support from their clients. Another active corporate in both the social enterprise and NPO sector is the consulting firm Bain and Company. They have been adapting a toolkit on corporate strategy to be used by social enterprises and NPOs and also provide pro bono consulting support to a number of social purpose organisations.

MSF has also begun working with partners such as the Social Enterprise Association, Asian Venture Philanthropy Network, Impact Investment Exchange Asia and Empact to facilitate the engagement of corporates with social enterprises. The President's Challenge Social Enterprise Award 2013 also saw six corporate partners stepping forward to provide pro bono consultation services to the Award winners. The SEA's corporate members (over 70) are also a further demonstration of growing corporate interest in the sector.

THE BROADER ECOSYSTEM FOR SOCIAL INVESTMENT

Increasing financial support available for Singapore's growing social enterprise sector

The financing landscape has changed considerably in recent years with many new funders entering the sector. Funders of social enterprises span the full spectrum of funding sources, ranging from government to various types of philanthropy including venture philanthropy, and also impact investors and CSR-minded corporates. Below are some of the primary funding sources for both grants and loans to social enterprises in Singapore. While more financial support has become available in recent years, the challenge remains to match funding needs with the type of funding available. While there is considerable support available for social enterprises with strong business models and management, most social enterprises are still at a developmental stage. Many funders thus find it a challenge to expend their available funds given the selection criteria they have in place, and conversely, many social enterprises require financial support but struggle to find the appropriate kinds.

Some Sources of Financial Support for Social Enterprises

- ***NVPC – start-up capital***

NVPC has been offering New Initiative Grants (NIGs) of up to SGD 200,000 to encourage new initiatives by existing or new organisations to address social issues and support volunteerism and philanthropy. The grants were previously only available to IPCs but in 2013, eligibility was extended to social enterprises. NVPC has been been pressed to responsibly expend its annual budget, challenged by the dearth of innovative proposed initiatives. Last year it created a companion Jumpstart Fund to provide smaller amounts of up to SGD 20,000 to support prototyping and proof of concept efforts with the hope that new ideas can be assisted to develop further so as to subsequently qualify for NIGs.

- ***MCYS/MSF – start-up and growth capital***

MSF (formerly MCYS) has been one of earliest providers of seed capital for social enterprises. Starting in 2003 as the Social Enterprise Fund, MSF's support was then repositioned as the ComCare Enterprise Fund (CEF) in 2005. It focused on providing start-up funding for social enterprises that assisted disadvantaged groups to find employment, whether through training or direct employment. CEF currently continues to support start-ups but is now also providing growth capital for more established social enterprises. As of Aug 2014, over 90 social enterprises have been supported with grant funding amounts of up to SGD 300,000 over up to three years. The budget for CEF is SGD 3 million annually and MSF is seeking ways to build the pipeline of social enterprises to fully expend this budget.

It should also be remembered that besides the CEF, MSF has, through its funding of social service nonprofits, also provided considerable support to social enterprises that are part of, or founded by, NPOs.

- ***DBS – banking services, loans and grants***

Over the last two years DBS has made support for social enterprise its main CSR focus. To this end it has provided about SGD 3 million in grant support throughout the region, some of which was used for direct grants to social enterprises while a substantial part of which went to supporting events, training and social entrepreneurship competitions that awarded small grants for start-ups. In Singapore, DBS's support to the sector was of the order of SGD 1 million, including SGD 340,000 distributed between four award winning social enterprises in 2013. For many years, DBS has also provided discounted banking services, including loans to social enterprises. The discounted SME banking package has been taken up by about 100 social enterprises. The loans are only slightly discounted and there is modest take-up for this product. In 2014, DBS stepped up its involvement in the sector and has set up the DBS Foundation with a SGD 50 million commitment to support social enterprises throughout the Asian markets in which it operates.

- ***SE Hub – equity and loans***

SE Hub was set up in 2011 and is fully funded by the Tote Board, a government-linked corporation that provides significant support to the social sector. SE Hub provides equity and loans to promising social enterprises. More recently it has been more focused on loans of varying tenures, benchmarking its loan rates to DBS's social enterprise loan rates, but not requiring collateral or personal guarantees. When the loans mature, providing return of capital and interest, SE Hub is then able to recycle the funds by investing in other social enterprises. Since social enterprises usually have low profits and slow growth, it would not be practical to expect an investment exit through IPO. SE Hub also provides a great deal of technical assistance in terms of management advice, acting as a typical venture capitalist. To date, five investments have been made at varying stages of social enterprise development, ranging from an early investment at the conceptual stage all the way to growth capital for a medium-stage social enterprise looking to expand.

Capacity building activities growing but more needed

As the influx of funding support outlined above has generally struggled to find fundable social enterprises, most key informants feel that much greater effort needs to be placed on incubation and capacity building. This was also the observation of the President's Challenge Social Enterprise Awards Committee which assessed a large number of Singapore's most promising social enterprises as part of its judging process, where it was apparent that many applicants needed greater business and management capacity and few had access to relevant mentorship and management advice.

Some social enterprise capacity building efforts include:

- ***NUS Enterprise***

NUS Enterprise provides a flexible menu of services to aspiring social entrepreneurs because each has different needs, similar to its approach to supporting entrepreneurs in general. Activities to support student social entrepreneurship include a competitive call for social enterprise ideas, training support to developing a business plan, mentorship and networking activities, incubation space and some modest funding support of up to SGD 10,000 for the most promising plans.

One of the higher profile activities undertaken by NUS Enterprise was a collaboration with DBS for the DBS-NUS Social Venture Challenge Asia with its first edition in 2013 and 2014. Teams from throughout Asia were invited to submit new social venture ideas with the most promising teams provided with hands-on training in Singapore as well as mentorship from experienced practitioners. The competition attracted over 400 entries from more than 20 countries, and three winning teams were provided with modest funding support ranging from SGD 10,000 to 30,000.

- ***SEA's Social Enterprise Development Centre (SEDC)***

As part of the SEA, the SEDC provides training and consultancy services to social enterprises, with many of their services provided for free or at modest cost. Their training activities include about six workshops annually, often with financial support provided by MSF or other funders. SEDC also provides assistance with business planning and helps direct social enterprises to possible sources of funding support from groups targeting social enterprises such as SE Hub and DBS, to a variety of more generalist SME funding sources.

- ***SE Hub***

SE Hub works closely with its investees providing involved and in-depth business planning, financial advisory and management support. They have evolved their approach over time and moved away from their original interest in providing a traditional, physical incubation space, having found the highest priority need of social enterprises in their portfolio is more day-to-day general management advice rather than space. SE Hub's team is well placed to provide this as it has extensive experience in venture capital, corporate finance and as senior management.

- ***The Hub Singapore***

The Hub Singapore is a community of entrepreneurs with social interests though not all its members are necessarily social entrepreneurs. The National Youth Council has assisted to provide a centrally located co-working space and the Hub team curates a variety of learning and networking events and can also provide advisory support. Recently, the Hub has spearheaded a collaboration between DBS, INSEAD and NVPC to provide 48-hour social entrepreneurship "bootcamps" that enable participants to design a social impact venture. The Hub Singapore was founded in 2012 and is part of the global community of nearly 60 Hubs in cities as far flung as Johannesburg, Vienna and Kyoto.

- ***Social Innovation Park (SIP)***

Founded in 2006, Social Innovation Park was one of the earliest organisations involved in supporting the growth of the social enterprise sector. SIP has instituted the Pop and Talent Hub (PaTH) weekend markets that provide a space for social entrepreneurs to market their products. It has also hosted one of the earliest international conferences on social entrepreneurship in Singapore – the 2011 Global Social Innovators Forum. Currently, SIP is supporting the North East Community Development Council's Social Innovation Fund efforts.

Research and knowledge building activities increasing

There has been a dearth of research and data undertaken on social enterprises and social investment. However, the need for more research and knowledge building activities has been recognised and there are now a number of efforts underway. These include a social enterprise "stocktake" effort supported by MSF and undertaken by Eden Strategy Institute to profile the sector that should be available at the end of 2014. Some other efforts include:

- NUS Asia Centre for Social Entrepreneuship and Philanthropy – A number of research pieces on social investment have already been published, including case studies of social enterprises and also a mapping of typologies of social enterprise business models.
- SEA – Market research on changing perceptions and understanding of social enterprises which will also help SEA better understand its own impact.
- AVPN – A Knowledge Centre launched in 2014 that, among other activities, compiles case studies, produces practitioner-based guides to assist in the practice of venture philanthropy as well as explore approaches to impact assessment.
- SE Hub – The publication of a number of papers on impact assessment and other topics of relevance to the social enterprise sector.
- Impact Investment Exchange Asia (IIX Asia) – A num-

ber of research reports through its nonprofit affiliate Shujog, including work supported by the Rockefeller Foundation and the Asian Development Bank.

Singapore's growing role as a regional hub for social investment

Singapore's domestic social enterprise and social investment landscapes have developed rapidly in recent years. However, given the size of the domestic market, many feel the more promising and scaleable opportunities lie elsewhere in the region. As mentioned earlier, Singapore offers many advantages as a regional hub and in the social investment arena Singapore's regional influence is strong and growing. It is home to some of the leading players in social investment in Asia. In addition to the expanding venture philanthropy network spearheaded by Singapore-based AVPN, Singapore is home to the following trailblazers in the social investment arena.

- ***Impact Investment Exchange Asia (IIX Asia)***

IIX Asia was established in 2009 with the vision of creating Asia's first social stock exchange. Early funding was provided with a USD 495,000 grant from the Rockefeller Foundation and it received further development support from both the Asian Development Bank and Singapore's Economic Development Board.

It is among the region's most prominent social investment organisations and works to foster the growth of social capital markets in a variety of ways. One of IIX's primary aims is to help facilitate access to growth capital for social enterprises in Asia with ambitions to scale. Currently it provides three financing platforms targeted at early stage, growth stage and mature social enterprises. For early stage social enterprises, IIX has partnered with the Small World Group on its Impact Accelerator programme that provides mentorship and seed funding. Impact Partners is a private placement facility launched in 2011 that matches pre-screened social enterprises seeking growth capital with social investors who are Impact Partner members. In the pre-screening process, social enterprises are required to provide key financial and relevant business information so as to enable well-informed decisions by investors. Impact Partners has managed to facilitate a number of sizeable investments including SGD 450,000 from a group of Singapore angel investors to support Sun-eee, a Cambodian renewable energy company that is working to provide electricity to rural areas (with IIX working to secure up to an additional SGD 3 million in capital), and USD 650,000 for SEED Schools, which invests in low cost private schools in India in order to improve the standard of education in India. Finally, IIX's most recently established platform that aims to raise capital for mature social enterprises is Impact Exchange, launched in June 2013, in partnership with the Stock Exchange of Mauritius. Impact Exchange, they claim, is "the world's first public trading platform for social enterprises."

In addition to its financing platforms, IIX has a nonprofit affiliate, Shujog, that provides a variety of capacity building activities. These include support and seed financing to emerging social enterprises, training programmes offered through Impact Academy, as well as research on the social enterprise sector in Asia. Shujog also organises a public events series, Impact Chats, as well as IIX's annual conference, Impact Forum, which is one of the largest regional gatherings of the social investment community in Asia.

- ***LGT Venture Philanthropy***

LGT Venture Philanthropy is another global social investment firm with a regional office in Singapore. In Singapore, it shares offices with its parent, LGT Bank, while other regional employees are also stationed in Manila and China.

LGT Venture Philanthropy is unusual among firms in the social investment arena in at least two areas. Firstly, it has a long-term funder in the form of the Princely House of Liechtenstein, thereby eliminating the need for extensive fundraising, though the organisation often does work with co-founders. Secondly it works through a broad range of instruments, grants, debt and equity. There are two types of investments that LGT Venture Philanthropy makes into target companies. The mainstream or core portfolio targets investments in the range of USD 200,000 to 10 million. The second type of investment recognises the often observed need for early stage funds coupled with significant technical and managerial experience for the nascent social enterprises in many regions of the world.

LGT Venture Philanthropy's Accelerator Program makes much smaller investments, under USD 50,000, in earlier stage. They are not yet investment-ready social enterprises that may become pipeline investments for the core portfolio. These investments under the Accelerator Program come with technical and business expertise provided through LGT Venture Philanthropy's innovative ICats Program ("impact catalysts") which places young business professionals on the ground in various parts of the world for a temporary posting and matches them up with social organisations in need of such expertise. As at the end of 2013, LGT Venture Philanthropy had made one core investment in Southeast Asia, in the Philippines, and five more investments through the Accelerator Program.

Singapore:
Social Investment Ecosystem

A mapping of Singapore's social investment ecosystem reveals a mix of well-supported and often longstanding institutions, many exploring new activities, as well as promising new organisations and initiatives to support domestic SPOs, both nonprofits as well as social enterprises.

Strong ecosystems are well networked and provide many opportunities for both formal and informal connections. In Singapore, much more sharing of information and best practices is needed so that the sector can work together to build its capacity and understanding. Funders need to be better networked and SPOs also, sometimes together in diverse groups and sometimes amongst peers.

FINANCIAL CAPITAL

Social Enterprises (SEs)

Start-up funding

- NVPC (Jumpstart and NIG)
- SE Hub
- MSF Comcare Enterprise Fund
- NYC (youth oriented)
- Singapoe International Foundation (youth oriented)
- DBS, indirectly through NUS Enterprise and the Hub

Comments

- *Some sources of start-up capital support are available up to the SGD10,000-20,000 range, however more substantial amounts in the SGD 30,000 to 50,000 range are needed to bridge the gap between the larger grant and loan amounts available from CEF, SE Hub and NIG. Support is also needed from a greater diversity of sources, each of which would apply different criteria and thus support a wider variety of efforts. For example, NVPC's grants specifically require an element of either volunteerism and/or philanthropy.*
- *With a few exceptions, private and corporate philanthropy have generally not been significant funders in this space.*

Growth funding

- MSF Comcare Enterprise Fund
- DBS (grants and loans)
- SE Hub (loans and equity)
- SPRING Singapore (though social enterprises do not commonly receive support from this source)

Comments

Several sources but funders find a dearth of fundable opportunities at this stage.

Nonprofits (NPOs)

Programme funding

Government sources—MSF, MCCY, MOH, MOE etc

Comments

The vast majority of support for SPOs is support for NPOs to deliver specified programmes and services.

Core funding

- Community Chest (administered by NCSS)
- Private philanthropy (family foundations and individual giving)
- Corporate philanthropy
- Online donation portals – SG Gives, Give.sg etc
- Community Foundation of Singapore

Comments

- *Some government sources and some private philanthropy efforts provide core support but these are exceptions. There is the need for more core funding to support organisational capacity development in NPOs.*
- *While tax incentives encourage domestic giving to IPCs there are no incentives to encourage regional giving.*

Fund aggregators

Community Foundation Singapore, Community Chest, and a few online donation portals aggregate financial support

Comments

The Community Chest has long aggregated individual and corporate donations but a variety of new aggregators have emerged in recent years.

Support for field building

Infrastructure builders

MSF, MOH – support to field support organisations NCSS, NVPC, AIC

Comments

With the government's proactive role in developing the sector several relatively well-resourced field support organisations exist. Many other countries in the region do not put resources to such support organisations.

While there has been considerable number of new initiatives supporting the growth of social enterprises, in terms of scale the vast support to NPOs continues dominate resources provided to SPOs. Even excluding the funding provided to education NPOs, SGD 4 billion was provided to registered Singapore charities in 2012, far more than the several millions directed towards social enterprises. In Singapore, the social enterprise sector is still widely recognised to be at an early stage of development with much more time and investment needed to build the capacity of the sector before it can effectively absorb a greater influx of capital.

HUMAN CAPITAL

Enablers/Champions

- NCSS, AIC, NVPC, SEA, SIP, IIX, AVPN

Capacity builders

- SEs – SEA, SE Hub, The Hub Singapore, Newton Circus, IIX, AVPN
- NPOs – NCSS, NVPC, AIC

Comments

NCSS in the NPO space and a variety of providers (SEA, SIP, The Hub Singapore, SE Hub and Newton Circus etc) in the SE space are providing training support for capacity building. SE efforts are mostly around early stage ideation with some advisory services, although these efforts are limited in scale. The advisory services for NPOs are provided by board members. More avenues for incubation as well as ongoing advisory for both NPOs and SEs are needed.

Professional services

- Eden Strategy Institute, Conjunct Consulting, philanthropy advisory services
- Independent nonprofit consultants

Comments

A few professional service organisations and individuals are available, including a new nonprofit, Conjunct Consulting, which has started providing consulting services. The market for such services is still quite immature and demand needs to be developed.

Building Social Sector Talent

NCSS (Social Service Institute), CNPL, MSF, AVPN, NVPC

Comments

- *NCSS and CNPL have increased efforts to attract talent to the social sector, however more can be done.*
- *MSF and NYC have supported more social entrepreneurship activities in educational institutions and amongst youth in recent years.*
- *While workshops on aspects of philanthropy have been held, mostly supported by NVPC and AVPN, there are still few training programmes to support capacity building in philanthropy.*

SOCIAL CAPITAL

Networks/Platforms

SEA, SIP, The Hub Singapore, AVPN, FBN, Singapore Compact for CSR, NVPC

Comments

Several new networks and platforms have started only in the last few years – including the Hub, SEA, IIX, AVPN and NVPC's philanthropy roundtables. These need to continue to be supported and deepened, and new actors, especially corporate and public sector agencies, to engage.

Convenors

NCSS, AIC, SEA, SIP, the Hub, AVPN, FBN, BFI, NVPC, IIX, Newton Circus, PIA Summit

Comments

Corporates are showing increased interest in engaging with SPOs both in terms of corporate giving as well as broader shared engagement.

Collaborative culture

Comments

While philanthropists and SPOs are increasingly interacting amongst themselves they also need to interact more across silos (i.e. philanthropists, government, NPOs, SEs). Also more sharing of learnings and challenges needs to take place.

INTELLECTUAL CAPITAL

Thought leadership

ACSEP, AVPN, LCSI, NCSS, NVPC

Comments

A variety of efforts in research and knowledge building taking place across a variety of organisations.

Understanding What Works

AVPN, NCSS, NVPC, SE Hub

Comments

There is still insufficient understanding about what really works. NCSS and others are exploring further how better to assess impact and also disseminate examples of effective practice.

- ***Bamboo Finance***

Bamboo Finance was launched in 2007 as a "private equity firm specializing in investing in business models that benefit low-income communities in emerging markets." Founded by one of the pioneers of microfinance investment, Jean-Pierre de Schrevel, Bamboo Finance wants, as one of its goals, to prove that private capital can be deployed for social impact.

The firm currently manages USD 250 million, representing two global funds with a combined portfolio of 46 investments operating in 25 countries. In Asia, Bamboo Finance has been looking at and investing in companies in India and China. It opened its third global office in Singapore.

One of the intentions of the Singapore office is to enable a greater focus on Southeast Asia, where the social investment market is considerably less active and mature, but also less competitive than those of India and China. Eric Berkowitz, their Singapore-based Bamboo's Chief Investment Officer and members of his investment team say that they have found few investment-ready social enterprises meeting their criteria in Southeast Asia, but they see potential in companies setting up on commercial principles with a social innovation angle.

Investments must first meet certain social criteria, before an investment is considered on commercial terms. Optimal investment size for Bamboo is USD 3 million to 5 million. Particularly promising sectors in Southeast Asia include off-grid energy, healthcare, education and livelihood enhancement models, including in agriculture. To date, Bamboo Finance has made one investment in Southeast Asia—in Joma, a chain of coffee shops which hires disadvantaged individuals in Laos, Cambodia and Vietnam. The firm is planning to raise another global fund in the near future, with half of the proceeds targeted for Asia.

SUMMARY AND RECOMMENDATIONS

For Singapore, there has been a marked growth in support for and interest in social issues in recent years, most recently accelerated by calls from a variety of senior voices in government, including the Prime Minister, that addressing social needs must be a key priority. The variety of new initiatives and organisations belie this change. With both political will, public support, and a government and populace with the resources to support work to address social needs, developing an efficient and effective social investment ecosystem will reap significant social benefits.

Using Anthony Bugg-Levine's 'complete capital' framework described earlier in this paper, we summarise Singapore's current ecosystem assets in terms of each type of capital – financial, human and social, and make recommendations as to how each capital area can be strengthened.

A mapping of Singapore's social investment ecosystem reveals a mix of well-supported and often longstanding institutions, many exploring new activities, as well as promising new organisations and initiatives to support domestic SPOs, both nonprofits as well as social enterprises.

Recommendations

Financial Capital

- **Provide larger amounts of start-up capital in the SGD 30,000 to 50,000 range.** There are several sources of support for modest amounts of start-up capital of up to SGD 10,000 but a significant capital gap exists between these grants and the higher tranche growth capital, typically in the SGD 30,000 to 50,000 range that is available. As start-up capital is relatively high-risk, a funder willing to provide subsidised financing will be required. NVPC's Jumpstart grants are within this range but specifically require proposals to include some element of philanthropy and/or volunteerism which may exclude many impactful social enterprises.
- **Reconsider the design of existing initiatives to provide growth capital in order to increase take up**. While there are numerous sources of growth capital, which include loans, equity and grant support, these have generally not been fully expended. Perhaps funders need to explore what may be specific barriers to take up that could include among other things, restrictive eligibility criteria, unfavourable terms, and reporting requirements that are difficult to meet.
- **Continue to grow needed philanthropic support to SPOs.** While philanthropic giving is on the rise, many social needs remain unaddressed. Efforts have been made in recent years to encourage philanthropy. These have contributed to greater giving as well as citizen engagement in social issues and should continue to be supported as there remains much unrealised potential for philanthropy.
- **Consider more supportive policies to encourage regional philanthropy**. The current policy framework provides incentives to support domestic philanthropy but a more outward looking approach would both assist to promote philanthropy as well as enhance Singapore's appeal as a regional hub.
- **Provide more core funding as opposed to programme funding for NPOs.** Much of current support to NPOs takes the form of a fee for service model, with few resources available to develop the NPO's organi-

sational capacity. This also limits the ability of NPOs to experiment and innovate, ultimately limiting their potential to initiate and drive new efforts to affect positive social change. By investing in the organisational capacity of NPOs, they can become stronger partners to government and the private sector in addressing common social concerns.

- **Provide more support to field support organisations**. In Singapore, several strong field support organisations exist, most of which are fully funded by the government. There are also a number of smaller field support organisations that have been started in recent years including AVPN, the Lien Centre for Social Innovation, the Asian Centre for Philanthropy and Social Enterpreneurship, IIX and The Hub Singapore. These organisations engage in knowledge building, networking and facilitation activities that assist to strengthen the field both locally and regionally.

Human Capital

- **Provide more support for existing capacity building organisations.** In more mature SPO ecosystems, a variety of advisory services are available for both NPOs and social enterprises. More incubation support is needed, as is ongoing technical and management assistance. Existing field support organisations such as NVPC, NCSS and SEA could be supported to provide deeper advisory services. Conjunct Consulting, a nonprofit providing very cost-effective consulting services to SPOs, and other similar support organisations should be further supported.
- **Encourage the formation of one or several organisations adopting a venture philanthropy model.** While a few venture philanthropy organisations have a presence in Singapore, they are generally more active in the region than domestically. There is room for a venture philanthropy organisation to demonstrate the value of combining funding with management and technical assistance particularly in working with Singapore NPOs for whom the model would be new. For social enterprises, SE Hub currently combines financial and management support.
- **Explore ways to attract more talent to the sector.** Greater core funding support can assist with paying higher wages across the sector but there may be other possible strategies to use to attract more talent. Both CNPL and NCSS are active in this area but attracting talent continues to be a challenge.
- **Build the capacity for strategic philanthropy.** The key informants interviewed for this study generally concurred that career development and professionalisation of philanthropy is generally still lacking. There is a need for capacity building for philanthropists as well as those working as philanthropy professionals. Sharing learning and networking are important aspects of this, and as well several groups including AVPN, NVPC and FBN Asia are considering putting together more formal training programmes, workshops and possibly organising giving circles.[57]

Social Capital

- **Continue to support platforms for networking and sharing among funders, SPOs and other relevant stakeholders**. In the past, there were no platforms that a variety of funders could coalesce around but that has been changing in the last few years. Starting in 2012, NVPC began its Funders' Roundtables[58] events that reached out to both family and corporate philanthropies. In late 2012, NVPC also organised the inaugural Philanthropy in Asia Summit, a regional conference on philanthropy that was subsequently held again in October 2014. Similarly there have been new gatherings of venture philanthropists and impact investors such as the Impact Forum organised by IIX annually since 2012 and AVPN's annual conference inaugurated in 2013. For the social enterprise community, both SEA and SIP have been hosting conferences annually and biennially respectively.
- **Find ways to inculcate a culture of sharing.** While creating formal platforms will assist in building connections in the sector, there needs to be a change in mindset and a greater openness to sharing. The culture of Asian philanthropy, particularly amongst family philanthropies, tends to be reticent in sharing both successes as well as failures, but success stories are important to both inspire as well as demonstrate what works, and only in sharing failures can others be assisted to avoid them. NPOs and social enterprises appear generally more open to sharing, but conversations on failures and lessons learned are less common. Key informants interviewed noted that some sharing of information does occur within small circles of common social groups but it is still generally not the broad and inclusive conversation that is needed.
- **Initiate concrete collaborative efforts to demonstrate the value of cross-sector collaboration.** Funders could consider providing a funding mechanism to explicitly support cross sector collaboration. Several examples of cross-sector collaboration already exist but greater support may encourage more participating organisations as well as deepen engagement.
- **Develop a corporate engagement network.** With

the considerable growth in interest and activity of corporate philanthropy and engagement in social causes, besides supporting greater corporate engagement in existing networks, a corporate engagement network could assist to build the capacity of interested corporates. Existing field support organisations such as Singapore Compact for CSR and NVPC could be involved in such an effort.

- **Develop collaborative knowledge sharing initiatives.** Stakeholders could gather to share thoughts on what sorts of knowledge sharing activities they would find most useful. Possibilities include the development of a collaborative knowledge repository where research and learning could be shared. Or, more simply, gatherings of philanthropists and SPOs engaged in common areas of interest could be organised, as could broader platforms to share what works.

Intellectual Capital

- **Provide continued support for applied research**. A number of organisations have been undertaking a variety of research and knowledge building efforts and while there are a number of institutions engaged in this work, there is still much to be done.
- **Support the development of thought leadership by SPOs.** Few SPOs have the resources to support research personnel on their staff but developing and supporting such capacity could provide valuable insights and learning for the sector as well as assist to inform better practice.

Endnotes

1. Prime Minister's 2013 National Day rally speech. www.pmo.gov.sg/content/pmosite/mediacentre/speechesninterviews/primeminister/2013/August/prime-minister-lee-hsien-loong-s-national-day-rally-2013--speech.html#.U2wCe4GSyE4

2. See Prapti Upadyay Anand, *Levers for Change: Philanthropy in Select South East Asian Countries*, (Singapore: Lien Centre for Social Innovation, 2013), http://centres.smu.edu.sg/lien/research/levers-change-philanthropy-select-south-east-asian-countries/

3. As described on Asian Venture Philanthropy Network's (AVPN) website, www.avpn.asia/about-us/avpn-background/ (accessed 1 Sept 2014).

4. 2006 is the year when the Social Enterprise Committee presented the roadmap to develop Social enterprises and recommended the set up of SE Association. The then Ministry of Community, Youth and Sport (MCYS) however started giving grants to social enterprises in 2003.

5. Singapore ranks fourth in the 2013 Global Financial Centres Index. www.geneve-finance.ch/sites/default/files/pdf/2013_gfci_25march.pdf

6. World Bank, http://databank.worldbank.org/data/download/GNIPC.pdf.

7. Human Development Report 2013, (New York: United Nations Development Programe, 2013). http://hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.pdf

8. "The World Factbook," CIA, www.cia.gov/library/publications/the-world-factbook/fields/2012.html

9. The figures refer to 2008 data, the latest available figures for income estimates amongst 'all' Singapore resident households as opposed to 'employed' households, which is available annually. Jacqueline Loh, "Bottom Fifth in Singapore," *Social Space 2011*, Lien Centre for Social Innovation. https://centres.smu.edu.sg/lien/files/2013/10/SocialSpace2011-Bottom-Fifth-in-Singapore-Jacqueline-Loh.pdf SGD 1500 is roughly equivalent to USD 1200. The interbank exchange rates on 7 Apr 2014 was SGD 1.26/ USD.

10. Ministry of Manpower (2014), http://stats.mom.gov.sg/Pages/Labour-Force-in-Singapore-2013-Labour-Force.aspx.

11. Braema Mathi and Sharifah Mohamed, *Unmet Social Needs in Singapore*, (Singapore: Lien Centre for Social Innovation, 2011), http://lcsi.smu.edu.sg/unmet-social-needs/

12. Theresa Tan, "Helping to enable the disabled in Singapore." The Straits Times, 8 Feb 2012.

13. For example, the employment rate for PWDs was 51 percent in Denmark (2012) and 47 percent in Canada (2006), two of the countries with particularly high rates of participation amongst PWDs.

14. Roshini Prakash, and Pauline Tan, "Landscape of Social Enterprises in Singapore", *Social Entrepreneurship in Asia: Working Paper No. 1*, Asia Centre for Social Entrepreneurship and Philanthropy, (2014).

15. MCYS, "State of the Elderly in Singapore 2008/09 – Release 2: Employment and Incomes and Assets". http://app.msf.gov.sg/Portals/0/Summary/research/State%20of%20the%20Elderly_Release%202.pdf

16. Kang Soon Hock, Tan Ern Ser and Yap Mui Teng, "National Survey of Senior Citizens 2011", Institute of Policy Studies, (April 2013). http://app.msf.gov.sg/Portals/0/National%20Survey%20of%20Senior%20Citizens%202011_Complete_amended_use%20this%20CH.pdf

17. Of those 75 and above 100 percent reported facing such difficulties.

18. Commissioner of Charities Annual Report 2012, www.charities.gov.sg/Publications/Pages/Publications.aspx

19. Commissioner of Charities annual reports, various, www.charities.gov.sg/Publications/Pages/Publications.aspx

20. Commissioner of Charities Annual Report 2012, www.charities.gov.sg/Publications/Pages/Publications.aspx

21. Laurence Lien, "Opinion: Singapore's nonprofit Sector: What Should It's Role Be?" *Ethos*, 10, (2011)

22. Note that NCSS is a statutory board while the others are not.

23. See Anand, *Levers for Change*, for elaboration of this.

24. EDB IOPO website, accessed April 8, 2014. www.edb.gov.sg/content/edb/en/industries/industries/international-nonprofit-organisation.html

25. Gillian Koh and Debbie Soon, "Civil Society in Singapore," in *An ASEAN Community for All: Exploring the Scope for Civil Society Engagement*, edited by Terence Chong and Stefanie Elies, Friedrich-Ebert-Stiftung.

26. Formerly these activities fell under the Social Service Training Institute at NCSS which was renamed as Social Service Institute and relaunched in 2013 with a broader mandate and greater resources.

27. Switzerland has attracted USD 2.2 trillion of off-shore wealth. Hong Kong and Singapore are the joint second most popular destinations, attracting USD 1.2 trillion. Source: "Global Wealth Report 2013: Maintaining Momentum in a Complex World", Boston Consulting Group (2013), www.bcg.de/documents/file135355.pdf

28. It was estimated that in 2013 there were over 174,000 people with assets of over USD 1 million. See Global Wealth Databook, Credit Suisse (2013), http://images.smh.com.au/file/2013/10/09/4815797/cs_global_wealth_report_2013_WEB_low%2520pdf.pdf?rand=1381288140715

29. *Global Wealth 2013 - Maintaining Momentum in a Complex World*, (Boston Consulting Group: Boston, 2013), www.bcg.de/documents/file135355.pdf

30. Proportion of UHNW households in Singapore is 7 per 100,000 households.

31. Commissioner of Charities annual reports, various. www.charities.gov.sg/Publications/Pages/Publications.aspx

32. NVPC website, www.nvpc.org.sg/nonprofits/sggives.aspx

33. Individual Giving Survey, NVPC (2012), www.nvpc.org.sg/Portals/0/Documents/Research%20and%20Publications/IGS%202012/IGS%202012%20Media%20Briefing.pdf

34. Singapore's GDP in 2012 was $345.6 billion. Ministry of Trade and Industry, Economic Survey of Singapore 2012, www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-2012/MainIndicators_AES2012.pdf

35. Estimated from the COC 2012 Annual Report that reports SGD 330 million provided by individuals to IPCs and also SGD 1,105m in donations provided to registered charities that are religious and "other" NPOs, most of which can safely be assumed to be individual as opposed to corporate giving. Religious charities are not provided IPC status so there will be little double counting in these figures resulting in an estimate of SGD 1.4 billion.

36. In 2013 GDP per capita in current dollar terms was USD 55,182 for Singapore and USD 53,143 for the US according to World Bank data (http://data.worldbank.org/indicator/NY.GDP.PCAP.CD).

37. Calculated from reported individual giving in the US of USD 228.93 billion ("Giving USA: Charitable Donations Grew in 2012, but Slowly, Like the Economy", School of Philanthropy News, Lilly Family School of Philanthropy, Indiana University-Purdue University Indianapolis, 18 Jun 2013, www.philanthropy.iupui.edu/news/article/giving-usa-2013) and US GDP in 2012 of USD 15,533.8 billion (www.tradingeconomics.com/united-states/gdp).

38. Charlene Chang and Albert Teo, "Philanthropy in Singapore: History and Typology", presentation slides, 2009. As reported in Albert Teo, Amelia Lee, Kelly Sim, Charlene Chang and Kenneth Tan, "Grantmaking Entities in Singapore", National University of Singapore, (2011), www.worldfuturefound.org/uploads/media/doc/GrantmakingEntitiesInSingaporeJanuary2011.pdf

39. UBS-INSEAD Study on Family Philanthropy in Asia, UBS Philanthropy Services, INSEAD (2011), http://www.insead.edu/facultyresearch/centres/social_entrepreneurship/documents/insead_study_family_philantropy_asia.pdf

40. NTUC refers to the National Trades Union Congress.

41. From the AVPN website, www.avpn.asia/about-us/avpn-background/, accessed 1 Sept 2014.

42. The GDP figure refers to 2010. www.sncf.org.sg/web/index.php?option=com_content&view=article&id=13&Itemid=2#mission

43. http://app.msf.gov.sg/SocialEnterprise.aspx

44. From the MSF social enterprise portal: "VWOs can set up a business outlet to provide enterprising activities and training for its beneficiaries. Such business outlets under VWOs, with a social objective in mind, could be considered as social enterprises." http://app.msf.gov.sg/SocialEnterprise/GetInformed/TheBigPicture.aspx

45. Common forms of incorporation are as private limited companies (PLC), a company limited by guarantee (CLG), limited liability partnership (LLP).

46. These models are currently listed on MSF's website (http://app.msf.gov.sg/SocialEnterprise/GetStarted/StartyourownSocialEnterprise.aspx) and were described in the Lien Centre's 2007 report for the Social Enterprise Committee. Lien Centre for Social Innovation (2007), "State of Social Enterprise in Singapore", see Annex 1.3.

47. Currently MSF is supporting a SE "stock take" effort that will attempt to provide more data on the number, size and types of social enterprises in Singapore which should be available towards the end of 2014.

48. Roshini Prakash and Pauline Tan, "Landscape of Social Enterprises in Singapore", Social Entrepreneurship in Asia: Working Paper No. 1, Asia Centre for Social Entrepreneurship and Philanthropy, NUS, (2014). In their paper Prakash and Tan reported similar numbers, noting that ACSEP was aware of at least 200 Social enterprises but that the actual population of social enterprises would be larger than this.

49. DBS provides some banking benefits to social enterprises and organisations that are members of SEA are generally approved to receive social enterprise targeted benefits.

50. See Annex 1.3 in "State of Social Enterprise in Singapore," Lien Centre for Social Innovation, (2007), http://app.msf.gov.sg/Portals/0/Summary/assistance/Report%20of%20the%20Social%20Enterprise%20Committee.pdf

51. Ibid. Involved a sample of 5,460 surveys attracting 373 valid responses.

52. The categorisation of SEA members was done by the Lien Centre as part of this study and based on the descriptions in the SEA Social Enterprise Directory made up of SEA's social enterprise members. Each social enterprise was categorised based only on its primary category using the categorisations used by the Commissioner of Charities, www.seassociation.sg/cos/o.x?c=/ca3_sea/sea_directory&ptid=5636&ptid=5636, accessed 8 April 2014.

53. SEA (2011), "Survey on Social Enterprise 2010", www.seassociation.sg/ca3_sea/slot/u1/Community/SEResourcesHub/Publications/Survey%20on%20Social%20Enterprise%202010.pdf

54. Prakash and Tan, "Landscapes of Social Enterprises"

55. In 2013 conferences related to social enterprise included AVPN's inaugural conference, IIX's Impact Forum, SEA's annual conference and Social Innovation Park's (SIP) Global Social Innovator's Forum.

In 2010 the only conference was SIP's GSIF.

56. Media mentions of social enterprise particularly spiked in 2012 and 2013 (rising over 100% in 2012) likely largely due to the PCSEA.

57. Giving circles are groups of donors that contribute an amount to a common pool with the whole group jointly deciding how to disburse the funds. Giving circles allow philanthropists to start giving with a smaller amount but this amount when pooled provides a quantum of support that could be more strategically applied.

58. The topic of NVPC's last Funders' Roundtable was a "Fail Fair" where philanthropies were invited to share their stories of failure, a topic rarely discussed in Singapore.

THAILAND

Thailand's religious and cultural foundations sustain an embedded practice of charitable giving. However, as with elsewhere in Asia, such giving has been driven largely by affiliations, personal and institutional, and has been relatively non-strategic in nature. The persistence of old social problems, such as urban-rural inequality and an inadequate public education system, as well as the challenges of new issues emerging from environmental degradation and changing demographics, call for charitable funds to be more effectively deployed in financing both existing interventions and innovative solutions to addressing society's issues.

Social investment is clearly not a solution in itself, but it does offer a collection of tools that allows scarce money to be more strategic and outcome-oriented in philanthropic deployment. Importantly, it also has the potential to engage new participants from different sectors of society, including businesses and a young, well-educated generation seeking a role in addressing the country's issues.

Venture philanthropy pioneers from other markets have mentioned the phenomenon of a tipping point when intransigent social issues in a society lead to the emergence of leaders seeking new models for engaging with such problems.[1] While Thai domestic philanthropy has in the past been non-collaborative and seemingly reluctant to tackle big issues at scale, a tipping point may be approaching in terms of society's willingness to recognise and engage with its problems. The recent political turmoil has led to a sense of crisis including the realisation that government alone cannot be relied on to address the nation's issues. While Thai social investment is still in its infancy, some potential champions are emerging, and early stage models, particularly of enabling organisations, corporate engagement and interesting social enterprises are being discussed.

BACKGROUND

An economic success story with high headline growth

Over the last three decades, Thailand has been considered one of the world's economic development success stories. The World Bank lifted Thailand's status from a lower-middle-income to an upper-middle-income country in 2011, and states that Thailand is expected to meet its Millennium Development Goal targets in aggregate by 2015. Between 1995 and 2011, GDP per capita had risen from USD 2,849 to 5,480 and poverty levels have fallen markedly while great wealth has been generated.[2]

The path to upper-middle-income status has not always been smooth. The economic policies of the boom years, which promoted a high degree of industrialisation and urbanisation, resulted in Thailand becoming a highly open economy, with growth dependent on exports and foreign investment. While the resultant economic growth was undeniable, the effects on society, traditional ways of life, degradation of the environment, as well as growing inequality became increasingly apparent. All this came to a head with the Asian crisis of 1997, when the downsides of rampant growth and increased vulnerability to external developments were exposed. With the economic crisis, over three million people lost their jobs in the cities and returned to their rural communities, Thailand's traditional social safety net.

A shift to community-based "people-centred development"

As a result the Eighth National Development Plan (1997-2001) heralded a major shift in policy from "a growth orientation to people-centered development" through "measures to promote self-reliance in local communities." Subsequent National Plans continued to support community development and self-reliance, albeit in partnership with the public and private sectors, as a key cornerstone of national development. This was reinforced by adoption of the philosophy of the sufficiency economy as laid out by His Majesty the King. The new mantra became "balanced, sustainable and just development."[3]

Emphasis on growth creates and obscures points of tension

The headline economic growth figures conceal points of tension in society, many of which are by-products of rapid growth.

- The proportion of the population living below the national poverty line has fallen from 65.3 percent in 1988 to 13.2 percent in 2011.[4] However, while only 12 percent of the population earns below USD 2 per day, over 29 percent earn below USD 3 a day – many people are still "almost poor." Unequal access to education and basic services are cited as the main reasons preventing people from raising themselves out of this state of near poverty. [5]
- There is virtually no headline unemployment, but the informal sector, which is outside the labour laws and excluded from social security, accounts for more than half of the workforce. Agriculture alone still provides 37 percent of the workforce, with 93 percent of agricultural workers in the informal sector. This does not include an estimated 1.2 million foreign workers, over 70 percent of whom are in the country illegally.[6]
- Growth has not reduced persistent inequality. The Gini coefficient for Thailand was calculated at 0.484[7] in 2011, the second highest in Asia after Hong Kong, and representing virtually no change from 0.487 in 1988. The poorest fifth of the population generated 4.6 percent while the wealthiest 20 percent had a 54 percent share of national income.[8]
- Inequality in Thailand has a strong regional dimension; Bangkok has been by far the greatest beneficiary of growth. In 2007, average household incomes in Bangkok were double those of the South and Central regions, and three times as high as income levels in the North and Northeast.[9]
- The UNDP Human Development Report of 2009 further highlighted five emerging areas of concern for Thailand primarily related to the environment and to changing demographics—water management, the effects of climate change, the fate of the smallholder farming sector, the large number of non-citizens, and the transition to an ageing society.[10]

Over the last few years, corruption has emerged as another significant concern for Thai society as Thailand's ranking on Transparency International's Corruption Perceptions Index has been falling. Interestingly, corruption has been the one issue where there has been significant collaborative effort, albeit primarily, by businesses and academics in Bangkok.

THE SOCIAL SECTOR IN THAILAND

Globalisation and the growth of civil society

The growth of the Thai nonprofit sector and civil society has been impeded by sporadic periods of mistrust between government or business sectors and NGOs in Thailand dating back to the days when NGOs were seen as possible critics and opposition to authoritarian regimes and state-led development. NGOs were banned outright by the conservative right-wing governments of the 1970s, and public perception at that time, nurtured by the rise of communism in neighbouring countries, associated NGOs with left-wing agendas.

However, the relaxation of the political environment in the 1980s, accompanied by the opening up to global influences paved the way for the golden era of Thai civil society in the late 1980s to 1990s. Extensive interaction among academics, public sector and NGO leaders led to broad-based input into the People's Constitution of 1997 as well as the Eighth National Development Plan mentioned above; the latter reflecting many of civil society's concerns with regard to the type of economic growth that was taking place.

During this time, different streams of NGOs developed to voice concern over the issues caused by the top-down, centre-led growth policy. Some of these NGOs concentrated on organising issues-based movements while others sought to influence policy. Many of them sought the reassertion of community rights as a means of countering the excesses of prevailing business-led growth and these were reflected in the consultation processes that were created at this time.[11] Active movements developed during this time in the environmental, health and community-based development sectors.

The role of internatonal NGOs

The international NGOs (INGOs) have also had a strong presence in Thailand. Many regional or international NGOs established their regional headquarters in Bangkok. These

INGOs include the Rockefeller Foundation, Oxfam, and a number of UN agencies including UNICEF, UNESCAP and the World Food Programme. This created regular access to global debate and experience in development, which has had spin-off effects. This is particularly true in the area of health where international funds have used Thailand's already strong local capacities to develop programmes and interventions that were further rolled out elsewhere in the world.

NGOs continue to be strong in certain sectors and specialised areas

There continues to be a number of strong, well-recognised NGOs in Thailand; some of which have, with strong leadership, continually updated their strategies and operations as well as developed new fundraising techniques to fit changing contexts. Thailand's health NGOs and health sector leaders continue to be active, after having led some of the most significant social developments of the last two decades. Environmental NGOs continue to work in areas of contention, and well-known NGOs working with children attract domestic sources of funding.

Civil society has been weakened by two developments

Two trends in the following decade are perceived as leading to the weakening of civil society and NGOs. Firstly, the decline of foreign funding sources seen around the region came early to Thailand as the country's economic success led to the withdrawal of overseas development assistance (ODA) and grants from international foundations; one writer called this "unfinished business."[12]

Secondly, the government has taken an increasingly direct role in financing activities at grassroots level, sometimes controversially. Over the last 15 years, the national prioritisation of community-centred development as well as grassroots-targeted election platforms have made many new sources of funds directly available to communities. In 2001, the Village Fund gave 800,000 tambons (translated loosely as "sub-districts"), each THB 1 million in cash, to be managed by local village or urban community leaders. As of May 2005, THB 77.5 billion had been disbursed to communities under this programme.[13] This was augmented by funds put into the development of community production facilities (the One Tambon One Product Fund or OTOP programme), and other social assistance programmes with a few other funds targeted at particular populations within communities, including women. State-provided credit through specialised government financing institutions, such as the Bank for Agriculture and Agricultural Cooperatives was also made readily available.

Reviews of the impact created by these large cash infusions into communities have been mixed. A World Bank study found that while lending did skew towards poorer families, and that overall, there have been net benefits to income levels the overall capital of village funds have stagnated over time and this may have prevented the evolution of a more dynamic private sector microfinance industry.[14] Another study came to a similar conclusion, suggesting that providing free or low-cost money with few incentives for more sustainable longer-term behaviour and competition may have inhibited innovation and entrepreneurship, crowding out the development of a more vibrant, efficient and sustainable microfinance sector in Thailand.[15]

There is dissenting opinion over whether the dominant role of government in community financing and development has also created collateral damage to NGOs by reducing the need for their roles as advocates for, and intermediaries between, grassroots communities and donors, policy-makers and the wider regional and national stages. In any case, the increasingly dominant role of the government and government-related agencies in social sector funding raises other issues of concern. These include

- the dependence created on the government's financial health, budget priorities, and budget disbursement during a time of heightened and controversial government spending;
- politically-motivated control and interference, as well as the high potential for leakages; and
- the impact of public financial dependency on civil society initiatives on alternative, non-official solutions to social problems.

Following the military coup of May 2014, the new interim government has eliminated many of the community-based programmes from the national budget in rejection of what they have called populist policies, on which the previous government had based their political platform. Reducing the overall flow of money to rural areas is not the answer to Thailand's political and economic woes as more, not less government spending needs to take place away from urban centres, where infrastructure spending has been concentrated. However, there should be new means of deploying government funds for social sector needs and these means need to provide for more transparency, accountability and the active involvement of civil society.

Changes in funding resources have reduced overall civil society activity

Be it the result of reduced foreign funding or less foreign and more government funding, the overall impression is that of a civil society that has become considerably less active as a whole, both at the grassroots level and in connectivity at the regional and national level. One interviewee remarked that many NGOs are now more advisers than operators/activists, while another commented that former NGO leaders have turned into non-government individuals (NGIs), leaders who are still active in the community, but on a personal rather than institutionalised basis.

In addition, an important category of NGOs called civil society resource organisations (CSROs) by a 2003 Synergos study seems to have reduced or at least not grown their activities. Defined by Synergos as organisations which mobilise and transfer financial resources to other civil society organisations, as well as provide other significant services such as training, networks, research and technical assistance, such CSROs used to receive a significant amount of funding from overseas sources including ODA and foreign foundations.[16]

A recent report on Thai civil society reported that the National Economic and Social Advisory Council of Thailand has 13,179 civil society organisations registered with approximately 5,300 organisations in the agricultural sector. It is unknown how many of these organisations are active as several sources suggest that several NGOs had closed down in the previous decade. While some regional and sectoral NGO networks exist, there is no national body of NGOs or other convening body to assess such information. Overall, social sector observers describe an NGO sector that has become more specialised and regionalised, unable or unready to scale for effectiveness on a nationwide level.

PHILANTHROPY IN THAILAND

Lack of data and up-to-date research on Thai philanthropy

To date, local philanthropy does not appear to have stepped up to the challenges described above, though the lack of data makes it difficult to make any clear observations. Data on the use of tax deductions for charitable giving is not publicly available from the Revenue Department, but in March 2013, *Thai Publica,* a well-respected online investigative journal, cited Revenue Department sources to state that in 2008, individual taxpayers across all income categories made a total of THB 55 billion in deductible donations;[17] this figure would have represented 0.56 percent of Thailand's GDP in that year. Donations to officially approved educational entities, for which 200 percent of sums donated are deductible from taxable income, accounted for over half (or THB 29.8 billion) of total tax deductible donations. These numbers were reported in a series of articles focused on some alleged illicit uses of such tax deductions,[18] so they should perhaps be taken as indicative rather than definitive information regarding charitable donations in Thailand.

There are surprisingly few current studies on philanthropy in Thailand today in either English or Thai; the latest studies on the topic date back to the mid-2000s.[19] It has only been in the last two years that interest in Asian philanthropy has led to Thai philanthropy resurfacing as part of the larger regional studies mentioned earlier in this paper.[20]

Commonly reported characteristics of Thai charitable giving

The predominant characteristics of Thai charitable giving as commonly described by available studies and by interviewees for this paper include the following:

- Charitable giving is very much part of Thai culture, supported by religious and cultural factors. As of 2012, Thailand ranked 12th overall in the five-year Charities Aid Foundation (CAF) World Giving Index; near the top in donating money (76 percent of those surveyed) albeit near the bottom on volunteering (18 percent).[21]
- While charitable giving is widespread, it is largely characterised as ad hoc and unstructured, dominated by individual giving and largely propelled by personal connections and affiliations (e.g., personal knowledge of the recipient or organisation's officers).
- According to multiple sources, a large part of charitable giving goes to religious causes and institutions, and to organisations affiliated to members of the Royal Family or under Royal Patronage.
- As in other parts of Asia, issues of trust and credibility have a big influence on where and how money is donated.

Religious giving – a widespread but smaller share at higher income levels

While religious giving is widely practised, with one study showing that 95 percent of respondents had made religious donations in the year surveyed,[22] part of this may be due to the cultural or religious practice of donations being collected regularly within offices, families and informal group settings for merit-making ceremonies. From the limited surveys available of higher income individuals, religious giving seems to account for a smaller portion of total giving. [23]

Historically, temples in Thailand, particularly in remote rural areas, have been the centre of community activity. In some communities, the village temple has played an active role in community development leading to the term "development monks." The combined institutional and personal credibility of a highly regarded monk enables fundraising and community organisation and abbots of villages have been the key movers behind local savings organisations and community-based foundations. [24] However, the entrepreneurial monk is the exception rather than the rule, and there has as yet been any sign of the potential role religious funds could systemically play in alleviating social problems, as is happening in Indonesia with *zakat*.

Constraints to philanthropy

Two frequently cited factors holding back Thai (and Asian) charitable giving are 1) insufficient knowledge and understanding of social issues and 2) the lack of trust in potential recipient organisations.[25] A survey of social giving carried out in 2012 in four provinces of Thailand including Bangkok supported these observations.

Table 1: Social Giving in Thailand : selected survey responses

Most frequent beneficiaries of giving	
Temples/religious institutions	93.3%
Educational institutions	83.4%
Hospitals and health organisations	74.7%
Community organisations	65.2%
Royal-affiliated projects	49.6%
Most trusted charitable organisations	
Temples/religions institutions	47.9%
Royal-affiliated projects	23.3%
Educational institutions	15.8%
Hospitals/health organisations	5.6%
Community organisations	4.3%
Most effective charitable organisations	
Temples/religions institutions	31.6%
Royal affiliated projects	20.4%
Educational institutions	20.4%
Hospitals/health organisations	14.2%
Community organisations	8.5%

Source: Assumption University of Thailand: Survey Results of Survey Project regarding opinions and behaviour of citizens towards social giving ; population sample from Greater Bangkok, Chiangmai, Khon Khaen , Cholburi and Songhkla 2012.

Giving is mostly concentrated in religious institutions and projects affiliated to the royal family. While this may seem unusual through international eyes, entrusting social problems to the attention of what have historically been the two most highly regarded institutions in the land may be understandable given issues of trust and perceived effectiveness.

The concentration of giving to royal-affiliated projects is higher at higher income levels (higher than the average represented in this survey) as large charitable gifts to royal-affiliated projects are further boosted by social recognition, formal and informal, of major donors and is a particular factor at ultra high income levels. .

HIGH NET WORTH INDIVIDUAL AND FAMILY PHILANTHROPY

Scarce data or current research is available

Very little information is available on high net worth individual and family philanthropy in Thailand. Only two known surveys, both with very small sample sizes, have been done of high net worth philanthropists. In 2006, as part of a series of reports produced by the Asia Pacific Philanthropy Consortium, Dr. Paiboon Wattanasiritham,[26] conducted informal interviews with a small number of high net worth individuals (HNWIs) on their views and approach to philanthropy, the results of which seemed to share the issues with lack of knowledge and trust of NPOs and effective interventions expressed by the broader population eight years later.

The most significant obstacle cited in further charitable giving was their "lack of trust towards groups that request their support." The study concluded that better knowledge of NPOs and philanthropic practices, NPOs' good governance, transparency and ability to demonstrate results were key to increased charitable giving. Specifically, it was stated that there was a "strong and urgent need to address shortcomings in the nonprofit/civil society sector that create distrust" and that therefore technical assistance was still needed to strengthen the sector.[27]

Respondents stated that they did not feel that they needed intermediary organisations or advisers in their giving, and were more likely to set up their own organisations if needed. The report did suggest that interviewees felt that the formation of a peer group or network among philanthropists was likely to be helpful.

Five years later, in 2011, similar results were shown in the UBS-INSEAD study on family philanthropy in Asia which included a small sample of ultra high net worth families from Thailand in their survey.[28] The survey showed that Thai family foundations operated a hybrid model, with 68 percent of funding (the highest percentage in the region) going to the foundation's own operational programmes, as opposed to outside grantees.[29] While not specific to Thailand, the issue of trust appeared on the list of obstacles to greater philanthropic giving.

A formal survey of HNWIs and families was beyond the scope of this paper, but interviews and conversations with members of such families and professionals close to them suggest that not much has changed since 2006 and that many of Khun Paiboon's observations continue to be valid but that his recommendations remain unfulfilled. Individual and corporate interviewees continue to mention the issue of trust, particularly in the lesser-known NGOs' ability to deliver results and be transparent and efficient in their operations. The strong preference for donations to well-recognised institutions and donor-established and donor-operated programmes continues, with family foundations often having long-term relationships with institutions (schools, hospitals etc.) set up or supported by an earlier generation.

Two venues for philanthropy — family foundations and corporate activities

One interesting trend that emerged from interviews with members of prominent business families is that, as is the case in other countries in Asia, prominent (i.e. high net worth) business families' charitable activities take place through two venues: a family foundation which often focuses on charitable giving to traditional areas such as children, education and poverty alleviation, and corporate philanthropic efforts conducted through the family's corporate entities.

It is through corporate entities, rather than foundations, that signs seem to be emerging of a social investing movement.

CORPORATE PHILANTHROPY

Evolving scope of CSR has expanded beyond traditional community engagement and volunteering

Corporates in Thailand, be they multinationals or local organisations, have long had a history of community engagement and volunteering, engendered by a combination of cultural and Buddhist values applied to business including most recently the Sufficiency Economy principles, and furthered by national development priorities encouraging community engagement.

Khun Mechai Viravaidaya's Population and Community Development Association (PDA)[30] was an early mover in this area, matching corporates with communities as early as 1998. Corporate donors remain core to PDA's Village Development Partnership[31] programme, which develops social enterprise activities in communities across the country, using financial support given by partners. For each community, a Village Development bank is financed with funds raised from the sponsoring partner, with the amount of funds being determined by the number of trees planted by that particular community.[32] Over 50 such partnerships have been developed, and a detailed account of how the programme works is available on its excellent website, The Village Development Partnership PDA.[33]

In contrast to the lack of research on, and support organisations for philanthropy, CSR in Thailand has received considerable attention over the last five years. Surveys on CSR activity were carried out by two separate institutes in 2009 and 2011. In 2007, a CSR Institute was established at the Stock Exchange of Thailand (SET), and the Asian Centre for Corporate Social Responsibility (ACCSR) was set up in 2009 on the Asian Institute of Technology campus in North Bangkok. A number of companies in Thailand are rethinking the way they implement CSR programmes, expanding beyond the traditional areas of community engagement, volunteering and ad hoc donations. Three notable examples are described below; these companies have moved towards a high engagement approach in working with communities, initiated tri-sector collaboration, and developed new approaches to convening participants around different societal issues.

SCG – The Community Capacity Builder

SCG, formerly known as the Siam Cement Group, is one of Thailand's oldest and most respected conglomerates. Founded by King Rama VI in 1913 to provide domestically produced cement for the country's growing infrastructure needs, SCG has had, since inception, a strong sense of social responsibility as part of its values. Today, it aims to be "…a role model in corporate governance and sustainable development."[34]

SCG's CSR covers a broad range of themes. SCG Foundation, an entity created with an endowment of SCG shares, focuses on children and youth as well as community support in times of crises, notably the tsunami of 2004 and the floods of 2010 and 2011. It is SCG's community development and engagement efforts that differentiate it from other firms, and these form the core of its "systematic philanthropy"[35] developed over a period of several years. Overall, SCG reported that the Group spent THB 563 million in 2012 on "investments and expenditures regarding community development, social infrastructure and environment."[36]

In the earlier days, a key vehicle of community engagement was the construction of "check dams" – small dams that help with water retention while also protecting against floods and soil erosion. These dams are constructed from local materials, built jointly by SCG employees, community members and other partners. To date, over 60,000 check dams have been built nationwide. Construction of a check dam is viewed as the first step in learning how to work with a particular community, and this reflects how SCG's intent has always been to improve the capacity of the community in addressing its own problems.

One example of such intent is its work with the community of Baan Sam Kha in Lampang province. SCG worked with the community to build a check dam in 2003, followed by construction of a water basin in 2007. In 2010, SCG took a 59 percent stake in the construction of the community's 19.7-kilowatt clean energy generation plant, the first community-owned and operated enterprise of its kind in Thailand. Community members own 24 percent, and a government agency the remaining 17 percent of the company created. The community and its members have first right of refusal to buy SCG's shares, and any proceeds from share income or sales will be put into an "SCG Fund for Community Clean Energy Enterprises"[37] to be used for similar initiatives in the future.

In another community project initiated in 2007, SCG helped farming communities in Northeastern Thailand access and implement expert knowledge from the National Science and Technology Development Agency (NSTDA) on developing agricultural strategies and techniques for farmlands with high soil salinity.

SCG states that its experiences following the 2005 tsunami helped the company develop its approach to community engagement. SCG Foundation set up the SCG Tsunami Relief Fund and conducted a survey of needs of the affected communities which proved to be the restoration of the livelihood of fishermen families whose fishing gear and boats were destroyed. The fund provided support for establishing community boatyards for repairing boats and equipment, managed by the communities themselves under the supervision of the Relief Fund Committee and Save the Andaman Network. Post-2006, longer-term community support measures were put in place, including a fishing gear construction project and a rebuilding plan. In the following year, the fund provided assistance in establishing community revolving funds, with further fund contributions determined by a "Community Potential Index" based on the communities' demonstrated abilities in managing the funds.[38]

Today the key elements of SCG's systematic community philanthropy appear to consist of

1. a comprehensive assessment of community needs;
2. identification of projects that best utilise SCG's core skills in meeting such needs;
3. extensive engagement of the community in the design and execution of the projects, as well as consultation with relevant academics, government experts and other relevant parties;
4. multi-project involvement between the company's employees and the community that stretches over several years; and
5. an underlying core intent of helping to build the capacities of the community in solving problems in a sustainable way. [41]

The Central Group is an example of another company that is working with communities, taking a slightly different approach. In upcountry areas, Central is working closely with local communities to integrate them into their supply chain. In urban areas, the organisation is providing livelihood opportunities for disabled persons, working with community associations to create programmes under a newly issued labour law.

Central Group: The Collaborator

Central Group, often referred to as "Central" is Thailand's biggest retail group, has expanded beyond retail operations to include commercial property development, hotels and restaurants. Founded by Tiang Chirathivat more than 65 years ago, all three branches of the Group are today run by his children and grandchildren, with an impressive number of family members actively involved in the family businesses. Khun Busaba Chiratival oversees CSR for all the companies in the Group.

Khun Busaba emphasises that she sees Central's CSR activities not simply as charity but as practices that involve a mutual sense of responsibility on the parts of both the donor and recipient. In practice, this has involved active engagement with communities, collaboration with government and social agencies, and use of the company's specialist skills and resources, including its impressive market access and distribution network to create greater impact.

Central Group has branches all over the country in multiple outlet forms, including supermarkets, specialty retail shops and department stores. Central has made it a policy to integrate local communities into their supply chains by working with local government agencies to source the best products available, notably from the Government's OTOP (One *Tambon* One Product) [40] programme. The Group brings in Central experts, including buyers and merchandising managers, to work with communities to further develop such products for sale in their stores. In recognition of cash flow issues, participating communities receive accelerated payment terms. This programme has been rolled out in 45 communities in 25 provinces in which Central has operations.

A new ministerial regulation issued in April 2011 by the National Office for Empowerment of Disabled People (regularly referred to as Regulations 34 to 36) requires companies with more than 1,000 employees to hire one disabled employee for every 100 employees, or else be assessed a monetary penalty. Companies have the option of using such penalty payments to set up their own programmes for disabled persons, and Central is using the fines that would have been levied to invest in three programmes. Working with Mahathai Foundation,[41] Thailand's largest association for disabled persons, to identify appropriate participants, Khun Busaba set up a repair centre and a call centre staffed by disabled people for Central's Power Buy electrical goods chain.

In a second project, Central worked with NISE Corp (see page 103) on establishing a training programme for youths with intellectual disabilities in a specific community on the outskirts of Bangkok. With input from the community, Central chose to teach silk screen, to develop a skill suitable for young people. A training programme was adapted and a centre-cum-workspace built within the community. While the youths were trained in using silk screen to produce t-shirts and other products, parents were trained in management and marketing skills, with Central initially providing the supporting administrative functions as well as helping to source buyers, including Central's own retail outlets and corporate gifts programmes. Funds for the training programme, initially agreed for a two-year period, are dispersed subject to key performance indices. The Board of the organisation is comprised of Khun Busaba, elected parent representatives and members from the association for the disabled. The Centre and training programme will be open to other communities, potentially on a fee-paying basis, and it is intended that the Centre will eventually be self-sufficient, owned and managed by the parents and the community.

Prior studies on philanthropy in Thailand have touched on the reluctance of the private sector, particularly business, to engage the big issues of society in a strategic, systematic way. Interviewees for this study say this continues to be true and suggest that one major reason may be an unwillingness to undertake any action that might be interpreted as challenging the government or other official initiatives.[42]

One early exception to the reluctance to tackle big controversial issues has been Khun Vichien Pongsathorn of the Premier Group.

Premier Group: The Convenor

Khun Vichien Pongsathorn joined the Premier Group of companies more than 37 years ago, when it was primarily a hire-purchase or leasing company. Since then, the Group has expanded into several new areas, including consumer products, real estate development, financial services, trading, manufacturing, and IT and electronics. Premier's CSR or corporate philanthropy initiatives are distinguished by a coherent underlying theme and strategic approach.

Khun Vichien views a key underlying objective of Premier's work as generating greater participation from society in resolving its problems. He views the needs of society as being many and large, therefore needing active citizens and significant alliances to address them. To this end, many of the Group's projects are in essence the creation of different types of platforms for engagement. Premier makes it a point to actively include other companies in their platforms, and hence keep a low profile on its projects, with a noticeable absence of branding seen in other CSR initiatives.

The Premier Group's corporate philanthropy started out 21 years ago with the setting up of the Yuvabadhana Foundation to help children from disadvantaged backgrounds. Support was extended to elementary to high school students through scholarships, support programmes and mentoring. The Foundation is funded by Pan Kan, a social enterprise which collects donated second-hand goods from both individuals and corporations for resale. Pan Kan is profitable and has helped Yuvabadhana Foundation give out over 5,000 scholarships to date. Pan Kan is undergoing expansion as well as working with two other organisations, the Mahathai Foundation for disabled persons[43] as well as a temple, to set up their own versions of Pan Kan outlets.

Premier Group's biggest convening projects are run under the Khon Thai (Thai People) Foundation. To create awareness and discussion around current issues in Thai society, Premier engaged the Thai Marketing Association on a pro bono basis to conduct extensive surveys of how people viewed the state of society and their own individual well-being today. The survey has been carried out twice to date, and the results have been widely covered in the local press. Khon Thai Kor Mue Noi ("Thais Lend a Hand") is a physical convening of social sector and development organisations from all around the country. These are brought together in one physical, central location to attract potential donors and volunteers to "shop" for opportunities. In 2014, the event is expected to include over 200 organisations, NGOs and corporations.

Premier's CSR or corporate philanthropy activities are funded through the setting aside of 5 percent of net profits annually from Group companies, an unprecedented move given that tax deductions are allowed only up to 2 percent of net profits. Another distinguishing factor is the way in which they are managed. While CSR activities are generally part of the corporate communications or human resource department in other business organisations, Premier's activities are run by a separate group of staff employed full-time to oversee the area of philanthropy. Specialist or additional resources from other parts of the group may be brought in as needed, with pre-agreements on the amount of time to be spent. Khun Vichien has also brought in well-respected professionals from the private sector to head up Pan Kan and Khon Thai. Khun Vichien and the Premier team have also been driving efforts to set up Thailand's first environmental, social and governance (ESG) mutual fund, expected in late 2014. A fund with more philanthropic intent is also being planned.

Skills and resources for strategic programmes

In an underdeveloped philanthropic ecosystem with thinly staffed family foundations controlled by the families themselves, and a lack of specialised intermediaries and professionals, the practice of strategic philanthropy through business entities rather than traditional foundations seems relevant at this stage of Thailand's philanthropic development. Companies possess the skills and resources needed to run outcome-oriented, longer-term and more complex programmes. In addition, corporations have access to markets, skilled human resources and networks of contacts. Companies should also have the ability and experience to scale successful operations.

Concerns have been raised regarding corporates acting in their own self-interest for marketing or branding purposes, as well as their tendency to design and operate their own programmes rather than fund existing work in the social sector. While these concerns have validity, the willingness of corporations such as SCG, Central and Premier to work with social purpose organisations in seeding and starting up self-sustaining and independent entities could serve as models for positive corporate engagement in the sector.

Possibility of pooled funds utilising social investing approach

Clearly, not all companies will have access to the resources that the three major groups profiled here can draw upon in implementing their programmes. An alternative would be for smaller company groups to set up pooled funds for specific areas of interest; one possible version of this would be a pooling of the fines payable under the new employment laws for disabled people (see Regulations 34 to 36 in Central case above). At the regional or community level, there may be potential for smaller companies, particularly SMEs (over 70 percent of which are based outside of Bangkok) to work through community-based organisations in their areas of operation. There are many examples, domestically, regionally and internationally from which companies can develop and test effective and appropriate models to engage with the social sector in Thailand.[44]

"Strategic CSR" – Conditions are conducive for greater corporate philanthropy

New paths for CSR: mandated and voluntary CSR funds

One interesting development to corporate engagement with the social sector globally is mandated corporate philanthropy. While there are no mandatory CSR spending requirements as in India and Indonesia, regulations with similar implications have been enacted in Thailand. The first example of this was the 2 percent "sin tax" implemented on alcohol and tobacco sales in 2001, which was used to set up and fund the Thai Health Promotion Foundation, Thailand's biggest grantmaking foundation today. Another "mandatory CSR" development took place in 2011, with the National Office for Empowerment of Disabled People Regulation requiring companies to pay fines, or use the penalty amount for relevant programmes, if certain employment guidelines are not met. With the help of NISE, other companies are looking at Central's ABLE model. (See Central, page 95.)

Existence of industry support organisations

In addition to the Stock Exchange of Thailand (SET)'s CSR Institute and ACCSR, a number of other institutions exist to support greater corporate engagement in the social sector. These include The Network of NGO-Business Partnerships[45] and Thaipat Institute, a nonprofit organisation, set up by Khun Paiboon Wattanasiritham 15 years ago, with the intent of pushing for greater business and social sector cooperation. Dr Pipat Yodprutikan, director of Thaipat, has been working closely with the SET on the Exchange's CSR initiatives over the last few years.[46] Sal Forest is a small advisory boutique firm which calls itself Thailand's first "sustainable business accelerator" and advises businesses on sustainable business practices and social impact assessment.[47] The SET's CSR Institute as well as the Listed Companies Association's CSR Club also provide platforms for sharing information and action.

Institutional push for "strategic CSR" – mandatory CSR reporting starts in 2014

The SET, the Thai Securities and Exchange Commission and Thaipat Institute recently announced that SET companies would, from 2014, be required to report their CSR activities, using Global Reporting Initiative guidelines as part of their regular annual reporting as required by the SET. In addition, the SET continues to host courses and events educating listed companies on how to move beyond traditional CSR practices towards a more holistic inclusion of social responsibility into company strategy. In February 2014, the SET President and Thaipat Institute held a seminar outlining the concept of Michael Porter's "creating shared value," described as "utilizing corporate assets and expertise in conducting social responsibility, to create economic value and business opportunities, together with scalable and self-sustaining social development."[48] One of other new directions is "strategy-based CSR" which will be related to, and draws on the skills and core expertise of the corporate and part of its overall strategy, as opposed to the execution of programmes and activities unrelated to the company's core businesses and operations as carried out in the past. The SET and related institutions have also held a series of conferences and seminars on how corporations can effectively engage with social enterprises in the latter half of 2014.

Natural and political crises have a catalytic effect, heighten strategic engagement and collaboration

A few corporates interviewed for this paper cited the 2004 tsunami in Southern Thailand as a seminal event in their thinking regarding CSR activities. Many businesses sent teams down to Phuket to help in the aftermath, and some stayed on to assist in the design and implementation of rebuilding efforts, including multi-year livelihood enhancement programs (see SCG page 94). Further collaborative efforts took place during the Thai floods of 2010 and 2011.

A heightened sense of responsibility for society has also been engendered by the political crises of 2013 and 2014, another 2014 "direction" for Thai CSR greater corporate citizenship engagement, with the need to battle corruption and engage in reform issues highlighted. The political crisis has already created new convenings and coalitions of business groups, academicians and a number of civil society leaders in an attempt to address corruption and seek pathways to reform the political system.

OTHER RECENT DEVELOPMENTS IN PHILANTHROPY

Community foundations — need for locally adapted models

Anand has pointed out the potential for community foundtions[49] in Thailand, highlighting six that have been set up around the country over the last decade. Unlike the traditional structure in the US, community foundations in Thailand receive funding from both community and external sources. Current indications are that the sizes of these foundations are still small and local practitioners say that there is still reluctance on the part of donors to donate money into a blind pool where how funds will be used is not specified upfront.

Thailand has a community-based development model and a history of corporate engagement in communities. There is also the pre-existence of a large number of community-based organisations focused on community well-being and livelihood enhancement opportunities, as well as community savings and credit associations. All these factors should provide fertile ground for philanthropy through a community foundation type structure. The question is how to best provide local initiative, ownership, and leadership with relevant support, financial or otherwise, to achieve their objectives.

The practice of external funding and resources for community-based organisations has a number of models and precedents in Thailand. On a broad-based programme basis, the Social Investment Fund (set up by the World Bank and JICA following the Asian financial crisis) developed five methods of injecting funds into communities and generated well-documented learnings on the methods' effectiveness.[50] As reported previously, the Thailand Village and Urban Revolving Fund gave THB 1 million each to village and urban communities as working capital for locally-managed credit associations; a World Bank study in 2009 carried out an assessment as to what worked and what did not.

Overall, reviews of such programmes suggest that the provision of funds at community level is more effective when accompanied by technical (e.g., financial management and business planning skills) and other relevant support (such as market access for products, product design, networks) to have sustainable impact. In addition to the considerable pool of knowledge available locally, new international models of community foundations are also emerging.[51]

Emergence of a new, well-networked, more socially-engaged generation

The emergence of a generation of young, mostly urban, and socially conscious Thai professionals may further the links between the business and social sectors. While not yet significant in terms of monetary contribution, this new generation of professionals and affluent family members are exhibiting a higher degree of engagement and innovation in social matters than their business and familial forerunners. Four ways in which this generation is becoming active are listed below:

1. Finding innovative ways of fundraising for charitable causes (Bangkok Charity Orchestra, Social Giver and Taejai[54]).
2. Engagement of time and professional skills through volunteering (Thai Young Philanthropists' Network or TYPN).
3. Building the supporting ecosystem (ChangeFusion, NISE, TYPN).
4. Setting up innovative nonprofit entities and social enterprises (Teach for Thailand, Social Giver, Open Dreams, *Thai Publica*).[53]

This new generation is characterised by a high degree of connectivity with 1) each other, through social, educational or social media ties 2) international developments in the philanthropic and social enterprise space and 3) mainstream business and, in some cases, government entities, through either familial or professional ties.

One particular way in which some members of this new generation are connected is through the TYPN.

Thai Young Philanthropists' Network – The potential of informal networks

TYPN was founded by Khun Ada Chiarapaisarnkul during the series of mass political protests in 2008. Amidst the greater levels of political and social awareness created during that time, Khun Ada sensed a desire among many of her generation to do something to help society, without joining a political faction. It was the early days of Facebook in Thailand, and most Facebook members were attached to a tertiary educational institution, in Thailand or abroad, or otherwise exposed to considerable Western influences. Khun Ada set up TYPN as a Facebook community, and as a result, TYPN is a community of well-educated young people with many of them now in professional positions with international firms, and coming from affluent, well-connected families.

In its first initiative, TYPN collaborated with the Ministry of Education to set up a Youth Entrepreneurship Training Program. Seventy professionals were mobilised to train and mentor over 400 students and teachers from 200 public schools nationwide.

In 2010, TYPN held the Social Enterprise Business Plan Competition in partnership with ChangeFusion and a number of other Thai organisations. This was the first national business plan competition focused exclusively on social enterprises intended as an incubation platform for youth social entrepreneurs.TYPN mobilised corporate funding to finance the competition and provide seed capital for the awardees. TYPN has since shifted its role from incubation to mentorship of social entrepreneurs, working closely with ChangeFusion to develop a mentorship programme for social enterprises selected through the Banpu Champions for Change and UnLtd Thailand programmes.

In addition, TYPN started Brain Exchange Initiative in 2010 as a human capital marketplace to serve the needs of the Thai development sector. In this initial stage, Brain Exchange Initiative[54] matched talent from leading universities in Thailand and abroad with key development agencies, primarily social enterprises. The programme has been spun off and is currently administered by the Global Social Innovation Lab (GLab) at the School of Global Studies, Thammasat University, where Khun Ada is currently the Executive Director.

TYPN members move within both the philanthropic and social enterprise circles, sometimes crossing over between the two. TYPN is not institutionalised. It has no legal entity and no regular operating officers other than its founder. Projects are initiated by members of the network, and by volunteers sought through the online community. They are executed through largely informal groupings. TYPN operates primarily online, though a recent live, weekend gathering of TYPN was set up to launch Nexus Thailand., a movement of young people working globally to increase and improve philanthropy and impact investing by bridging communities of wealth and social entrepreneurship. While the emphasis in the past has been on donating time and expertise, the current leaders of TYPN believe that the trust that has built up among community members enable it to now move on to raising money as another way for members to get engaged. TYPN is planning to set up Thailand's first giving circle as an initial step in this direction.

Khun Ada estimates that TYPN has 2,500 members, with 600 of those active within the Facebook network.

It is also this new younger generation that is playing key roles in the evolution of social investment in Thailand, by becoming founders of social enterprises, playing key roles in the supporting ecosystem, and moving to new models of social giving.

Tax allowances for charitable giving are underutilised

One of the many areas of Thai philanthropy that needs greater transparency is the claiming of tax deductibility for charitable donations. While concerns are frequently raised that such allowances are not sufficiently generous, available information seems to suggest that the problems lie partially in onerous eligibility requirements for nonprofits and ineffective reporting and monitoring systems. A review of tax policies and their implementation is needed to ensure that they are supporting national priorities. As part of such a review, policies supporting social investing should be considered.

The Tax Issue

In Thailand, individual and corporate tax deductions for charitable giving are allowable solely for donations to organisations officially registered as public charitable institutions (PCIs). Currently, only slightly over 800 out of an estimated 20,000 NPOs in Thailand are registered as PCIs. The low number is attributable to cumbersome registration, reporting and monitoring requirements.

Individuals are allowed a tax deduction of up to 10 percent of income post all other deductions for charitable giving to PCIs. Up to 200 percent of donations to certain education-related organisations and activities are deductible within the 10 percent limit. Companies in Thailand are allowed to make a deduction of up to 2 percent of net profits for donations to public charitable organisations in amounts from 100 percent to 200 percent of the donations made. Additional deductions of up to 10 percent of net profit are available for donations to certain educational and sports-related facilities and activities.

In a speech given to the Thailand Listed Companies Association in November 2010, a former Thai finance minister was quoted as saying only 100,000 persons reported making charitable donations in the latest fiscal year, and on average individual taxpayers donated just 2.6 percent to 2.7 percent of their taxable incomes, well below the prescribed limit. He also mentioned that 16,000 of 500,000 companies registered in Thailand claimed tax deductions for CSR, and companies spent, on average, a mere 0.7 percent of their net profits on such activities.[55] These comments were supported in interviews with a partner at a major accounting firm; tax deductions are rarely utilised fully by either corporations or individuals.[56]

The report from Thai Publica mentioned earlier quoted officials from the Revenue Department voicing concerns over fraudulent use of tax deductions for charitable purposes as some such examples have been uncovered. The Revenue Department has no means of checking whether the submitted claims actually appear as funds in the relevant charities as reporting requirements are made to another department. Even among the registered charities, there is a high rate of non-compliance in the required submission of annual financial statements.

From the above comments, it seems unlikely that the allowable deductible amounts for charitable donations will be raised soon. However, there seems to be a case for simplifying registration and monitoring requirements, rationalising the regulatory framework, allowing a wider range of organisations to qualify for tax-deductible donations, while putting more effort into supporting and monitoring registered organisations in their required reportings. Widening the choices available to prospective donors as well as ensuring a greater degree of accountability and transparency should help improve the effectiveness of tax incentives for giving.

SOCIAL ENTERPRISES IN THAILAND

Thailand has a history of well-recognised revenue-earning SPOs

Long before social enterprises became a buzzword locally and internationally, Thailand had had a history of revenue-earning, self-sustainable SPOs. Khun Mechai Viravaidya, founder of Population and Community Development Association (PDA), possibly Thailand's best-known NGO, has been advocating "businesses for social progress" since PDA's inception almost 40 years ago. Taking the view that NGOs need to be self-reliant and not dependent on the whims and conditions of donors, Khun Mechai established a series of diverse businesses that today funds all of PDA's operating costs, as well as several programmes run by the Association. He has now applied this concept, a cross-subsidy model of social enterprises, to his work in community development. At least two of the Royal Charities, the Royal Projects and the Mae Fah Luang Foundation—Doi Tung have developed business models that are forerunners of today's social enterprises. These three organisations with operational models that have been developed over many years are among the most highly regarded SPOs in Thailand today.

However, the current global social enterprise movement arrived in Thailand as part of international initiatives around social enterprises and social entrepreneurship. In 2008, the British Council – in conjunction with ChangeFusion – a key mover in Thailand's social enterprise movement (see The Champions: ChangeFusion on page 102), invited a delegation of leaders from government and the social sector, notably the Thai Health Promotion Foundation (ThaiHealth), Thailand's largest grant-making foundation, to London on a study trip of the evolving British social economy, including the ecosystem for social enterprises.

These efforts gained the support of senior government officials at that time. A National Social Enterprise Committee was set up in 2009 and tasked with developing a National Master Plan for Social Enterprises. This plan was approved by the Cabinet in 2010, subsequent to which the Thai Social Enterprise Office (TSEO) was established in the Prime Minister's Office in 2011, funded on a multi-year basis by ThaiHealth.

Thai Social Enterprise Office

TSEO was set up as a unit within the Prime Minister's Office in 2010. Under the current director, Khun Nutthapong Jaruwannaphong, TSEO views its role as raising public awareness, enabling the development, and helping to catalyse financial support for social enterprises.

A review of TSEO's 2013 activities cited seven types of initiatives undertaken:

1. Stimulating research for social innovation at major universities.
2. The promotion of social entrepreneurship courses in the higher education system.
3. Stimulating a social enterprise development system including the support of five incubation centres located at centres of higher learning and the identification of five intermediary organisations from different sectors of the social sector through which potential partners can work with social enterprises.
4. Development of a social enterprise registration system
5. Development of a social investment market, i.e. the setting up of funds for investment in social enterprises.
6. Review of overseas public policies promoting social enterprises for implementation in Thailand, including preferential consideration of social enterprisess for public procurement and service delivery.
7. Social marketing – creating social awareness and acceptance of social enterprises at both the consumer/client and potential entrepreneur level.[57]

While some of these initiatives can be said to be at a very early stage of development, observers have agreed that TSEO has been very successful at promoting public awareness of social enterprises, particularly with the business sector and in the university community. Most recently, in March 2014, TSEO organised the "Social Enterprise Week" in Bangkok, bringing in individual, corporate and social sector participants as well as prominent overseas experts. The event was well attended and received.

Emerging social enterprise is dominated by community-based organisations

Despite all the recent activity and news on social enterprises in Thailand, international funds active in Southeast Asia report that they have not been able to find any social enterprise in the country ready for investment. The only known investments made by an international fund are three small concessional type loans made by LGT Venture Philanthropy through their Accelerator Program, which is intended to help young, early-stage organisations build up their business models and organisation to a level where they may be ready for investment funding.

The perceived lack of investable social enterprises stands in contrast to studies and reports from various sources in relating to the number of social enterprises in Thailand.

TSEO registry : 400 organisations self-registered as social enterprises

Khun Nuttaphong, the current Director of TSEO reports that, as of early 2014, over 400 organisations were registered as social enterprises through the TSEO website. Khun Nutthapong estimates that of the 400 organisations registered with TSEO as social enterprises, approximately 40 percent have been set up by NGOs, 40 percent are community organisations and 20 percent are start-ups set up by a "new generation."[58]

As of March 2014, ChangeFusion was working with TSEO on providing analytics and investment information for 20 of the registered social enterprises believed to have the highest potential for scaling and investability.

ChangeFusion – advisory and investment portfolio of 30 social enterprises

ChangeFusion itself has probably seen and worked with more social enterprises than any other organisation in Thailand to date. Founder Sunit Shreshta estimates that for every 100 social enterprises that he has seen in Thailand, 30 percent will fail, 40 percent will remain small community-based organisations, and only the remaining 30 percent have the possibility of scaling and/or attracting investment capital. As of May 2014, of the 30 plus social enterprises with which ChangeFusion is currently involved, either through investment or advisory work, over 15 are in the food or food/agriculture sector, six are in the production of environmentally friendly goods, and another five are tech/media based. Only three have revenues over or approaching USD 1 million annually – an organic food exporter, a community renewable energy provider and website-cum-mobile designer. Most of the others still have revenues under THB 1 million. While representing a very small sample, ChangeFusion's portfolio suggests that social enterprises in Thailand still remain at a very early stage of development.

The Champions: ChangeFusion

ChangeFusion, and more specifically its founder, Sunit Shreshta, has been at the forefront of the current wave of interest and activity around social enterprises in Thailand. ChangeFusion has been a key promoter of the sector in Thailand with a variety of roles ranging from advocate (particularly in its role with the National Social Enterprise Masterplan, where ChangeFusion served as the secretariat for the Commission) to incubator, investor and ecosystem builder. It is currently the only known systematic investor in social enterprises domestically.

Originally founded as a student enterprise called Thai Rural Net by Sunit Shreshta and fellow students from Thammasat University, the organisation started with a strong focus on youth volunteering in agricultural development. Today, ChangeFusion is a nonprofit entity under the Thai Rural Reconstruction Network, a charity under Royal Patronage. In recent years, its scope of activities has been wide. In addition to the public advocacy and other roles in support of social enterprises stated above, ChangeFusion has also been a promoter of social innovation, particularly through the use of technology and it has been particularly active in this respect in the areas of health and disaster management during the floods in Thailand.

In 2013, recognising that the organisation needed more focus, ChangeFusion restated its mission with two core themes: supporting social entrepreneurs and social enterprises; and providing network and resource linkages for social enterprises. Within this mission, ChangeFusion's current work with social enterprises can be put into three categories.

The first category involves being an investor in social enterprises, both at the ideation stage, through Unltd Thailand, as well as for more advanced enterprises through ChangeVentures. The latter provides equity and concessional loan funding as well as other means of support, such as market access and accounting, both directly and through partners to operating social enterprises.

Secondly, ChangeFusion continues to collaborate with TSEO and others in the development of the supporting ecosystem for Thai social enterprises. These include the Thai Social Enterprise week, the online giving platform Taejai. In an expansion of this role, Sunit has been working with Khun Vichien of Premier Group and a small team in setting up funds with a social intent.

Thirdly, ChangeFusion works on regional platforms in support of social enterprises and nonprofits. The latter includes the proposed Asian Social Investment Portal supported by the Rockefeller Foundation. This is an online platform for sharing information on regional social enterprises and investments. ChangeFusion is also working with Oxfam to support[61] the development of sustainable agricultural ecosystems and bring together social enterprises, nonprofits and field experts in the area of agriculture to share best practices and mobilise collaborations.

ChangeFusion's work with social enterprises tends to be geared, albeit not exclusively, towards enterprises founded by social entrepreneurs. This includes working with nonprofit entities founded by established social entrepreneurs to transform them into potentially profit-making, investable entities as well as working with start-ups by new entrepreneurs. With respect to the former, ChangeFusion has worked with a number of Ashoka Thailand's social entrepreneurs – Sunit is himself an Ashoka Fellow. Sunit describes the latter entrepreneurs as being primarily young professionals with three to five years of experience who have decided to switch from other sectors to set up an organisation with a primarily social mission.

Still missing: Inclusive businesses

So far the national conversation on social enterprises in Thailand has tended to focus on social enterprises that are situated on the social side of the social-financial spectrum i.e. emerging out of the nonprofit sector or being set up primarily with a social objective. Less focus has been given to social enterprises that might fall further towards the "finance first" side of the spectrum, or what the Asian Development Bank (ADB) would call "inclusive businesses," defined by the ADB as "business initiatives that engages the low-income segment of the population in a way that benefits the poor people by providing livelihood opportunities and access to essential goods and services."[59] Though such businesses may not always have an explicitly social mission, their role in enhancing livelihoods and/or providing underserved markets with needed products and services can enable them to have greater scale and impact than more strictly defined social enterprises. In other regions of the world, including India, Latin America and Africa, this type of social enterprise has appeared to be the main focus of investment for both financial and social return.

Interviews with international funds active in other countries in Southeast Asia have revealed that such enterprises are beginning to emerge in the region in two forms; as extensions of existing family businesses and as start-ups by experienced managers switching careers from a mainstream business in a related sector. In Thailand,few examples of this type have emerged to date. Anecdotal accounts suggest that the sectors most likely to produce such enterprises are the agriculture or food and renewable energy sectors. It is possible that TSEO's analysis of its registry of 400 self-identified social enterprises may bring to light more enterprises of this type. Increasing interest and engagement of the corporate sector in the nascent social enterprise sector may also help create and develop more of such entities.

NISE Corp– Network of Impact Social Enterprises Corporation

In contrast to ChangeFusion whose roots lie strongly in the social sector, NISE (Network of Impact Social Enteprises) has its origins in the corporate sector. NISE Corp was set up at the beginning of 2011 by two former employees of the Stock Exchange of Thailand, Sakulthip Keeratiphantawong and Dr. Chaiyoot Chamnanlertkit along with Dr. Pipat Yodprutikarn, Director of Thaipat Institute, an adviser to the SET.

NISE is a for-profit social enterprise backed by a small number of investors. The founders' strong contacts within the corporate sector, particularly among listed companies, had enabled them to build a business working with corporates of a certain size, particularly in putting together public, private and social sector partnerships. In 2012, NISE, in partnership with the British Council, led a delegation of leading Thai corporates as well as senior officers of Srinakharinwirote University and the Ministry of Commerce to the UK for a study trip called Development of Business Growth and Structure of the Social Enterprise in the UK. In the same year, NISE also brought the B Corps rating system[60] to Thailand, translating the original rating survey into Thai and running a pilot test with 10 businesses.

NISE has developed a particular expertise in developing tri-sector collaborations working with disabled people. We have described earlier NISE's project with the Central Group using funds set aside for the new regulation regarding employment for people with disabilities. NISE is currently working with other companies to set up similar programmes. The total estimated amount of fines payable under this new regulation is about THB 3 billion or just slightly under USD 100 million annually, and there has also been some discussions around different methods of using these funds in a collective way.

In November 2013, NISE co-hosted, along with Srinakharinwirote University, a well-attended seminar called Social Impact after Social Enterprise Approach. As part of this forum, NISE conducted a survey of 15 senior executives of leading Thai corporates on their views on the development of social enterprises in Thailand, the results of which are discussed in the following section. NISE is currently promoting the themes of social intrapreneurship and creative capitalism for corporates in Thailand.

Corporate sector interest in supporting social enterprises

The corporate sector is showing signs that it is emerging as an important supporter of social enterprises. Anecdotal accounts from corporate gatherings and interviews suggest that corporates are interested in supporting social enterprises in a number of ways including

1. making social enterprises preferred entities in their supply chains;
2. setting up social enterprises in conjunction with social sector partners either as part of their own operations or as a separate entity (see SCG and Central Group on page 94 and 95 respectively); and
3. investing in, and otherwise supporting existing social enterprises.

These anecdotal accounts of the desire for active engagement with social enterprises are supported by a recent survey conducted by NISE Corp of 15 executives from leading Thai corporates in November 2013.

2013 Executive Survey: Enabling Social Enterprise in Thailand

The key findings from a survey of 15 executives are as follows:

- 53 percent thought that social enterprises in Thailand had a good to very good chance of growing in the next few years.
- 60 percent identified the private sector as the key sector (as opposed to government or the social sector) driving social enterprise growth.
- 67 percent identified the need for clearer government policies as being the most important factor for social enterprise development.
- The top three issues that need to be addressed are social enterprises' lack of knowledge and effectiveness in managing a business, the lack of sufficient government incentives and social enterprises' lack of networks and partners in developing their business.
- 67 percent proposed that the promotion of partnerships with businesses in related sectors would be the most effective means for social enterprises to access resources and develop their operations.[61]

A few leading corporates have already put into place programmes for engaging with social enterprises.

BanPu Coal has run Ban Pu Champions for Change, an early-stage funding programme (based on the UnLtd U.K. model) for the last three years, advised by ChangeFusion. The programme provides a combination of financing, workshops on business and financial planning and mentoring for successful applicants, delivered in successively larger amounts and more intensive ways. Over the past three years, over 300 early stage social enterprises have applied to the programme and over 30 social enterprises have received funding.

AirAsia Foundation just announced a regional funding programme for social enterprises at a later stage of development, with at least two years of proven operations. The selection criteria are impact, innovation, sustainability and having the potential to benefit from AirAsia's particular corporate skills, e.g., marketing. Thai AirAsia has announced that it will support Mucer Coffee Hill Project, a coffee producer from Northern Thailand founded and managed by hill tribes, by funding new processing facilities and helping with their marketing programme. The idea is that Mucer Coffee will eventually be part of AirAsia's supply chain, providing socially conscious sourced coffee for AirAsia flights. Grant funding for projects in the region have ranged from USD 13,275 to over USD 68,000 in five ASEAN countries to date.

Corporate associations have expressed interest in supporting Thailand's social enterprise initiatives, creating the possibility of learning platforms for developing models of engagement with social enterprises.

The concept of social enterprises found receptive audiences in Thailand

Over the last five years, the term "social enterprises" has become an increasingly well-known part of the Thai national conversations around equitable development, CSR and philanthropy. While this is in part due to the efforts of organisations such as TSEO and ChangeFusion, their seeding work fell on fertile ground as Thailand's specific circumstances, past and present, made the concept of social enterprises immediately understandable and attractive. Firstly, the social enterprise, with its alternative business model balancing social and financial returns, fits in well with the principles of the Thai sufficiency economy, and desires for a moderated, sustainable form of capitalism.

Secondly, a history of community enterprises, as well as prominent NPOs operating a social enterprise model, including the Royal Projects, Mae Fah Luang, and PDA, all made the model of businesses for social and environmental good easily recognisable and accepted. The new social enterprise movement has taken the social enterprise model out of the specialist realm of the government and development experts and made it into something understandable and implementable by ordinary individuals and companies. Thirdly, social enterprises with an operating model and possible business linkages that appeal to the private sector, offer an attractive way for Thai corporates to use their core skills for greater involvement with Thailand's social issues.

Financial and capacity building support still limited

Despite all the publicity around, and interest in social enterprises, there are as yet no aggregated funds for investment in social enterprises, either in the form of groups of investors (e.g., giving circles or pooled funds) or institutional funds. Investments have been done primarily on a bilateral basis and limited to start-ups and very early stage growth capital. The only known programmatic investors in social enterprises are ChangeFusion's UnLtd Thailand and BanPu Champions for Change. ChangeVentures, a subsidiary of ChangeFusion, has provided support, both financial and non-financial, to very early stage growth social enterprises. LGT Venture Philanthropy has done the same, working with ChangeFusion as a local partner, from their Accelerator programme. Both organisations have commented that the resources required to provide non-financial support, e.g. financial reporting and business modelling, introductions to networks and markets, would make the current model commercially unviable if done on a for-profit basis.

Given that many social enterprises in Thailand are either at a relatively early stage of development, or have come out of nonprofit or community origins, capacity-building support of various kinds will be needed for the enterprises to grow. Past indications are that training programmes on their own are insufficient; early stage social enterprises need hands-on help with financial planning and modeling, business model development, and general managerial skills. Given the varied nature of social enterprises in Thailand, multiple models for delivering capacity building will be needed. While there may be commonalities in the support needs of a start-up tech social enterprise in Bangkok and a community-based vegetable grower in Northeastern Thailand, the delivery mechanism for delivering such support needs to be different.

In addition, a broader range of funding will be needed, particularly at growth stage. During this time, social enterprises will need larger amounts and different types of funding than are currently available. Expanding social enterprises report the need for loans (rather than equity) for working capital needs; such loans are difficult to obtain in Thailand from traditional banks without financial records and/or collateral, both difficult requirements for early stage enterprises.

The broader ecosystem for social investment

In addition to direct participants, the emerging ecosystem for social investment also depends on the support and cooperation of a number of organisations from other related spheres of activity. The following should be considered as an indicative, rather than all-inclusive, list of such organisations.

The Rockefeller Foundation has had a long presence in Thailand, having started investing its philanthropic dollars in the country since 1915. It remains an active grantmaker in Thailand and in the Asian region with a historical theme of building the capacity of actors, state, institutional and individual, in its areas of focus. With portfolios of work focusing on advancing the philanthropic field and supporting the development of impact investing industry globally, the foundation also has a strong interest in promoting the concept and practice of innovative philanthropy and social investment in the region and in Thailand itself. In recent years, the foundation has supported a number of efforts in this space including the development of Impact Investment Exchange Asia, Asian Social Investment Platform and this study. Efforts specific to Thailand include a mentoring programme for next generation philanthropists and ThaiGiving.org. As well as supporting the growth on the philanthropic and investor side, the foundation also supports the strengthening of civil society through efforts such as the annual NGO Awards in several Asian countries including Thailand. www.rockefellerfoundation.org/

The Thai Health Promotion Foundation (Thai Health) is Thailand's most significant grant-making entity. Set up as a state agency in 2001, Thai Health is funded by the 2 percent surcharge tax on tobacco and alcohol, giving it a budget of approximately USD 100 million a year to date. The Prime Minister chairs the Thai Health board, but half of its members come from social organisations and include several prominent members of the medical community.

Thai Health has interpreted its health promotion mandate broadly, defining well-being as needing four dimensions – physical, mental, spiritual and social. Thai Health's policy is to work with multi-sectoral partners, including government agencies and SPOs and the organisation has funded over 1,000 projects a year. Sustainable development is an area of focus, and Thai Health's support for social entrepreneurship and social enterprises are part of this effort. Thai Health has provided multi-year funding for the operations of TSEO, for Ashoka Thailand's venture programme, as well as for ChangeFusion's UnLtd Program for early stage social enterprises. In the past, they have also been a funder of philanthropic initiatives, including project work into the development of community foundations in 2005. Thai Health is likely to continue to be a key funder of the social investment ecosystem in Thailand, supporting field advancing initiatives. http://en.thaihealth.or.th/

Ashoka, Innovators for the Public – The survey conducted by the UBS study of Family Philanthropy in Asia identified the social entrepreneur movement as being the most interesting trend in philanthropy currently, with the possibility of offering new and innovative solutions to persistent social problems. Ashoka, the global fellowship of social entrepreneurs, has been operating in Thailand since 1989. With over 100 fellows, the country has the fifth largest Ashoka fellow network in the world, with fellows working in all of Ashoka's six core areas of civic engagement, economic development, environment, health, human rights and learning/education. The Ashoka network in Thailand is an active one, and recent funding provided by Thai Health has enabled the country office to arrange more opportunities for fellows to convene. Such gatherings have been fertile opportunities for Ashoka fellows to share their work. ChangeFusion has been working with some of the Ashoka Fellows on the possibility of conversion or expansion of existing Ashoka Fellows' projects into social enterprises to reduce dependency on grants and donations. https://www.ashoka.org/country/thailand

The British Council runs a global programme, Skills for Social Entrepreneurs that has been active in Thailand since 2009 in five key areas: policy support – critically arranging study trips for government officials and businessmen to the UK which were catalytic in terms of the official support for social enterprises, capacity-building, local and regional networking, awareness raising and promoting social enterprises through institutions of higher education. www.britishcouncil.or.th/en/our-success-stories

Thammasat University has a particular concentration of social entrepreneurship or social enterprise programmes compared to many universities and other institutions of higher learning in Thailand currently.

Under Professor Edward Rubesch, Thammasat University has, since 2007, hosted the Southeast Asian chapter of the Global Social Venture Program, a student-led business plan competition for social ventures organised globally by the Haas School of Business at University of California, Berkeley. Recently Professor Rubesch has also led the IMBA program to start the Scale Your Social Enterprise for More Impact (SYSE) programme. This is in partnership with TSEO, and it is

Thailand:
Social Investment Ecosystem

Unofficial reports and anecdotal accounts suggest that charitable giving in Thailand is widespread and involves large sums of money but is highly concentrated in religious and well-recognised institutions. A nascent social enterprise movement is attracting considerable public and media attention but in practice the amounts of funding and support raised are still very small. There is a lack of capacity building support for both social enterprises and NPOs beyond initial start-up stages, inhibiting impact and sustainability. The corporate sector looks set to play a more active role with new models for corporate philanthropy and CSR emerging. In Thailand, there is a notable absence of collaboration among philanthropists, as well as a decline in networks and collaborative platforms for what has been a vibrant NPO sector.

FINANCIAL CAPITAL

Social Enterprises (SEs)

Start-up funding

- UnLtd Thailand
- Banpu Champions for Change
- Competitions for SE business plans and development – Thammasat University
- NGO and community incubation
- Corporate support through PDA
- Corporate incubatio

Comments

- *Only two regular programmes exist for funding and supporting SE start-ups; UnLtd is run directly by, and Ban Pu is advised by, ChangeFusion.*
- *Other SEs have been started and incubated by NGOs, communities or corporates on a case by case basis.*

Growth funding

- ChangeVentures
- LGT Venture Philanthropy Accelerator Program
- AirAsia Foundation

Comments

The only known programmatic growth funders are CF and LGTVP which works with ChangeFusion locally for its Accelerator program; more growth funding is needed.

Nonprofit Organisations (NPOs)

Major Programme funders

- Thai Health Promotion Foundation
- Corporate and individual philanthropy
- Government funding and fees for service
- International foundations, UN agencies, international NGOs

Comments

- *Private funding for NPOs is heavily concentrated to well recognised charitable institutions—temples, hospitals, educational establishments, royal affiliated charities.*
- *Issues of lack of familiarity, affiliation and trust hold back giving to lesser known entities.*
- *ThaiHealth, a government-affiliated but independently set-up organization is country's major grantmaker.*

Fund Aggregators

- No significant funds, or pooling of individual funds
- Online donation portals – Taejai.com
- Community foundations (small)

Comments

- *No known pooled funds to date.*
- *Thailand's first ESG mutual fund issued in October 2014.*
- *Discussions emerging from formal and informal networks re pooled funds for philanthropy and for investment in social enterprises.*

Support for field building

- Thai Health Promotion Foundation
- TSEO
- Rockefeller Foundation
- Foreign institutions e.g. USAID, JICA

Comments

- *ThaiHealth provides funding for TSEO as well as other parts of the emerging SE ecosystem.*
- *Otherwise little funding or support is available for field building efforts for NPOs.*
- *Some ODA funding has very recently been made available for efforts to strengthen civil society.*

HUMAN CAPITAL

Enablers/Champions

- ChangeFusion
- NISE
- PDA
- Sector specific NGOs- e.g. Persons of disability – Mahathai, Will Share

Comments

- *Growing ecosystem and support for SEs, particularly early stage.*
- *NPO sector/issue leaders in certain areas – e.g. health, disabilities, community housing.*

Capacity builders

- PDA
- NPOs- Thai Fund Foundation
- Corporate incubation on case by case basis
- Royal Projects and Mae Fah Luang Foundation
- Corporate incubation on case by case basis
- TYPN–Mentorship Program and Brain Exchange Initiative
- SYSE program at Thammasat University
- LGT Venture Philanthropy Accelerator Program

Comments

- *Several organisations, including corporates, working with specific communities, particularly on livelihood enhancement projects.*
- *Some informal support for SEs outside of incubation programmes, very limited formal support at growth stage.*
- *Very little formal support for NPO capacity building.*

Training

- NPOs – Kenan Institute Asia
- Thai Fund Foundation
  –Khon Khaen University, the Centre for Civil Society and Nonprofit Management
- Corporates – Thaipat Institute

Comments

- *Many universities and schools have recently set up courses or programmes on social entrepreneurship.*
- *In late 2013, USAID provided funding for first civil society/nonprofit management university programme.*

SOCIAL CAPITAL

Networks/Platforms

- Corporates – CSR Institute, CSR Club, SET
- Individuals – TYPN, Nexus Thailand
- Informal network of key players in the social enterprise space

Comments

- *No formal networks or programmes for philanthropy aside from TYPN.*
- *Very limited networking for NPOs; umbrella organisations of 1980s no longer active.*

Collaborative culture

- Cases of corporate government and government social sector collaboration on social sharing of learnings and challenges need to take place.

Comments

- *More tri-sector collaboration needed on key issues.*

INTELLECTUAL CAPITAL

Sector Thought Leadership

- Center for Philanthropy & Civil Society, NIDA
- GLab, Thammasat University
- ChangeFusion, TSEO
- CSR Institute, Thaipat Institute
- Ashoka School of Changemakers

Understanding What Works

- TSEO initiated university research initiatives
- TDRI

Comments

- *A lot of recent interest and publications on social enterprises and social entrepreneurship.*
- *No recent research on philanthropy.*
- *Academic research on social issues, but lack of action oriented research on specific issues.*

a six-month-long hands-on incubation programme designed to help social enterprises scale. Social Innovation Lab, School of Global Studies (GLab) was set up in 2013 with three aims:

1. Develop and strengthen the capacity of change leaders through providing internship and fellowship experience for undergraduate students in the Global Studies programme.
2. Foster multi-stakeholder collaboration.
3. Facilitate and equip social entrepreneurs with processes to solve social problems.

GLab was set up in partnership with TSEO and Ashoka Thailand.[62] Ada Chirapaisarnkul, founder of TYPN, was appointed as Founding Executive Director of G-Lab in 2014.

Thaipat Institute was set up by Dr. Paiboon Wattanasiritham over 15 years ago to devise measures to alleviate the gap created by the departure of foreign grant funding and to advance Sufficiency Economy principles. Incorporated as a nonprofit entity under the Foundation for Thailand Rural Movement under Royal patronage, Thaipat Institute has strong connections with both rural community organisations as well as with the business sector. Over the years Thaipat has become a leader locally in advising companies and institutions on CSR strategies, and was instrumental in working with the SET to make CSR reporting mandatory for SET listed companies as of 2014. Thaipat is the local partner for the Global Reporting Initiative training programmes. www.thaipat.org

Center for Philanthropy and Civil Society is a nonprofit centre under the National Institute of Development Administration (NIDA) a government post-graduate institute. Its mission is "strengthen the third sector as a significant force for the promotion of balanced and sustainable development..." The Center conducts research and has served as a point of reference on civil society and philanthropy in Thailand. In the past, the Center had conducted training and provided advisory services to social sector organisations, but in recent years work has focused more on issues of governance and transparency. www.cpcs.nida.ac.th/

Thai Fund Foundation was originally called the Development Support Consortium, and formed from a network of seven NGOs in 1996. Development and sustainability issues are at the core of TFF's implementation through five core areas of operation: 1. fundraising 2. grantmaking to small grassroots NGOs/ community organisations 3. capacity building 4. information and communication technology and 5. promotion of philanthropy and volunteerism. TSEO has identified TFF as an intermediary organisation for working with NGOs. www.ttf.or.th/

SUMMARY AND CONCLUSIONS

Social investment, be it strategic or venture philanthropy or investment in social enterprises, is still at a very nascent stage in Thailand. Examples of strategic and venture philanthropy type approaches have developed primarily in the corporate sector, but to date, these have not seemed to significantly influence traditional individual philanthropy, which is still the largest source of philanthropic funds.

However, as of mid-2014, some promising developments have been taking place. Thailand's first socially responsible investing mutual fund was launched in late October, raising consciousness of investing with social intent. More directly relevant to social investment, senior management at the SET are leading an effort to convene corporate contributions for a social venture fund. Another such fund, aimed at HNWIs, is also being discussed. TYPN's group of young professionals is launching a giving circle, combining small amounts of investment with capacity building support.

Social entrepreneurship and social enterprises are relatively new terms in Thailand, but earlier versions of the concepts have existed in Thailand's NGO and community development movements for many years. The current social enterprise movement has captured a lot of attention, particularly from the corporate sector as a new model for addressing social problems.

There is valid concern that the new enthusiasm for social enterprises will further draw funds and other support away from NGOs that continue to play a valuable role in society. What is needed is a recognition of the continuing importance of this role and ways found to lessen the dependence of such NGOs on government funds and shrinking foreign funding. In turn, NGOs in Thailand need to acknowledge the need for greater transparency and accountability, as well as communicate effectively their impact in addressing target social problems. The nascent supporting ecosystem that is developing for social enterprises should also be extended to help NGOs build internal capacity and capabilities, enabling impactful NGOs to scale up and extend their impact, and operate with a certain degree of financial sustainability.

Part of the attraction of social enterprises is conceptual—namely, the prospect for self-sustainability and the potential of accessing mainstream investment. However, the reality in Thailand at this early stage is that primarily, such enterprises and their ecosystem still need philanthropic funds for development. Keeping in mind this need for "enterprise philanthropy" as well as the continuing needs of NGOs in Thailand, more efforts have to be made in promoting domestic philanthropy and encouraging such philanthropy to adapt social investment models.

In order for social investment to effectively address Thailand's numerous and persistent social problems as well as allow philanthropists and investors to move from charity to change, Thailand needs to encourage developments in three areas—capacity building (human capital) for SPOs, funding for NGOs and social enterprises (financial capital), and collaboration (intellectual and social capital).

Capacity Building – Operational and Managerial Support and Professional Services

There is a need to develop models for providing capacity building support to SPOs, both NPOs and early stage social enterprises. Without this, SPOs' ability to attract and absorb larger amounts of capital, whether grants or investments, will continue to be limited.

The venture philanthropy model as practised in Europe and the US offers capacity building support as an integral part of its financial investments, usually through hands-on operational and management support from in-house officers who can then also draw on specialised services from professional firms, accountants, consultants, and lawyers, often on a pro bono or highly concessionary basis. In the case of Thailand where social investment is still carried out primarily on a bilateral basis. stand-alone service providers are needed at this stage of the ecosystem development.

Recommendations:

- Create a model for hands-on management and operational support provided by experienced managers who can be deployed across a small number of SPOs. Such individuals may be mid-career professionals seeking a change from the business sector or from well-established NPOs. In some countries, managers have been drawn from the ranks of retiring business professionals. A team of these managers could be incorporated as a separate boutique advisory firm, or embedded within existing organisations, but the likelihood is that the model will need grant financing in its initial stage.
- Negotiate agreements for accessing specialist professional skills with individual firms or industry associations seeking to use their specific skills for CSR work. An annual number of pro bono hours could be pre-agreed on for the provision of accounting, legal or other specialist services.
- Create models for providing managerial and technical assistance to community-based organisations. Provide linkages to regional or national support providers and/or mobilise support from locally-based organisations such as SMEs and larger businesses with operations in the area.
- Research, develop and share different models for corporate engagement with SPOs, including the ones that are already in practice such as SCG's community building efforts and Central group's incorporation of community producers into their supply chain.

Collaboration

Experience from other markets has shown that in general, multiple interventions are needed to make a difference in addressing social problems. Philanthropic players in more advanced markets are moving towards collaborative funds, sometimes anchored by catalytic funding from governments. Such funds may be targeted towards specifically defined problems or themes, allowing for multiple, and hopefully synergistic interventions. At present, there are very few examples of collaboration or even information sharing among Thailand's philanthropists, individual or corporate, who frequently prefer to fund, design and operate their own programmes. Two areas where information sharing and collaboration are needed are in education and community development, where multiple programmes abound, involving large amounts of capital and resources.

Recommendations:

- Identify philanthropic leaders (corporate or individual) who have the credibility to convene formal or informal networks for collaboration. In its simplest form, the first step could be starting informal groups to share lessons on both successes and failures. Stronger associations could take the form of giving circles or ultimately pooled funds designed to tackle a certain sector or issue.
- Commission action-oriented research on a particular social challenge and use it as a neutral platform to identify and draw support for the types of intervention that have proven effective in addressing the challenge.
- Support existing intermediaries or enablers. This is an important part of the work of organisations such as ChangeFusion and NISE. Another type of intermediary is the sector specialist, often an SPO itself, who could serve as a reference point and broker between organisations in its sector and potential social investors. One of the sector intermediaries identified by TSEO, The Redemptorist Foundation for People with Disabilities (Mahathai Foundation[66]) has been particularly active in working with corporates on Regulation 35. Other sector intermediaries work with SPOs in renewable energy and organic agriculture. Both the general and specialist

intermediaries are important as connectors and coordinators.

- Consider the establishment of "backbone" or umbrella organisations that would help facilitate collaboration. These organisations could be issues focused and trilateral (across government, business and civil society)—for example in education or community development.

Financial Capital

There is a need to channel existing charitable giving and institutional pools of money to the development and support of outcome-oriented models of social intervention. Capacity building, by enhancing effectiveness, scale, and accountability in SPOs should help attract such funds. The creation of new vehicles for social investment, built around collaborative efforts, should also draw new funds to the sector.

Recommendations :

Create new pooled mechanisms for social investment.

- For individual and family philanthropists, this could start out with giving circles; a good international example is provided by the Dasra giving circles in India
- Corporate philanthropists could pool contributions to general or sector-themed funds related to their areas of operations; such funds could be based on commissioned research as described under collaborations above.
  a. Contributions to such funds could be made eligible for tax deductibility up to the CSR limit of 2 percent of net profits which would provide incentives to use the limit in a more effective manner.
  b. One sector-themed fund could seek to aggregate the fines assessed by Regulation 35, particularly for smaller companies that might not have the resources of larger corporates to design their own programmes.
- Locally adapted models of community foundations which incorporate both community and external sources of funds could attract corporates and other organisations active in a certain locale to contribute not only funds, but managerial and technical expertise to locally managed and designed community programmes.

Encourage regional and local grantmakers (private and public) to be involved in the building of industry and infrastructure by providing funds to develop and test the models mentioned above.

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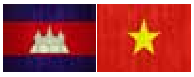

CAMBODIA & VIETNAM

In the Mekong delta, Vietnam and Cambodia are seeing pockets of interesting developments in social investing. Without significant domestic philanthropy and the potential tapering off of foreign aid, there is considerable pressure felt among nonprofits to become more self-sustaining. While Cambodia continues to be one of the most aid-dependent countries in the world, a small number of foreign-driven but locally-based operations are building robust social enterprises and developing impact investing and venture philanthropy models that are among the most active in the region.

Funding from overseas high net worth individuals (HNWIs) and development finance institutions is primarily philanthropic in nature, but the models being implemented are deliberately commercial in nature. In Vietnam, a network of ecosystem builders has developed, both for the development of social enterprises as well as a more engaged, collaborative philanthropy. It may be that urgency of needs and the underdevelopment of charitable sources are compelling the two countries to leapfrog traditional paths for philanthropy to more sustainable models of social investing.

CAMBODIA

As one of the developing world's most aid-dependent countries,[1] Cambodia lags other countries in the region in terms of economic development. According to World Bank figures, Cambodia's GNI per capita rose from USD 300 in 2000 to USD 880 in 2012, a positive indication, but it remains well short of the amount for the lower-middle income status. During the same period, GNI per capita in developing East Asia rose from an average of USD 900 in 2000 to USD 4884 in 2012. Cambodia's growth, while significant, has not allowed it to catch up with its neighbours.

Cambodia's progress is widely perceived to be both overly dependent on flows of foreign aid as well as hampered by it. For some commentators, NGOs were first established in the country more in response to available donor funding in the early 1990s than community needs.[2] Foreign aid has ultimately distorted[3] Cambodia's economy, and tended to crowd out the development of an independent private sector. Writing in the Asian Journal of Political Science in 2007, Sophal Ear, an academic of Cambodian origin noted:

> Despite more than five billion dollars in aid, infant and child mortality and inequality have worsened. Key informants are overwhelmingly in agreement that, save for political stability, aid has not had a positive impact on governance in Cambodia. The failure on control of corruption shows how hard it is for donors to be tough on a country with extreme poverty.[4]

Recent figures are more encouraging, as from a low base, there have been some achievements in access to basic services. For example, between 2000 and 2010, infant mortality rates were halved from 111 to 40 deaths per 1000 live births, according to WHO figures.

However pressing social needs continue to seek innovative solutions that provide sustainable progress. In this context, social investment would seem to have great potential in restoring accountability and incentives, and fostering private sector development. Moreover, with the recent cutbacks in foreign aid, old models of charity and aid flows are being challenged. A 2013 survey[5] found that one in five NGOs were engaged in income-generating activities. A 2011 census by an umbrella NGO, Cooperation Committee for Cambodia estimated that there are 500 INGOs and 800 local NGOs—accounting for around 260 revenue-generating NGOs in Cambodia. The social entrepreneurship movement in Cambodia is on an upswing. There is no comprehensive research or surveys done on the sector in Cambodia, but a social enterprise map by Social Enterprise Cambodia lists 60 social enterprises.[6]

There are key players such as ADM Capital Foundation,[7] Hagar Social Enterprise Group (HSEG), ARUN[8] and Insitor Management[9] providing patient capital, early-stage investing and intense capacity building. Apart from the presence of these primarily foreign-supported innovators, there is as yet sparse supporting ecosystem and infrastructure. There are no convenors or advocates who help bring the community together at a country level and assist with capacity building. There is slim access to knowledge sharing, mentorship and exposure to business models. The Royal University of Phnom Penh has come closest to providing a common venue on an annual basis while ARUN, an impact investing fund, has recently also begun hosting workshops, events and a business plan competition.

SOCIAL ENTERPRISES: AN EXPATRIATE VANGUARD

The majority of social enterprises are led by expatriate founders, although universities at Phnom Penh as well as a broad SME incubator are working to create an enabling environment for local social entrepreneurs. Some examples of SEs started by Cambodians returning from abroad are Perfexcom Group[10] and Frangipani Villa Hotels.[11] Interviewees say it is easier for the English- or French-speaking foreigners or returning Cambodian expatriates to raise capital.

There are a few examples of expatriate social entrepreneurs working strategically to hand over the reins to local management. Ideas at Work[12] (a handpump manufacturer), Sustainable Green Fuel Enterprise[13], and Soria Moria[14] (a boutique hotel) have a plan for leadership transition and local employee ownership.

Currently, there are relatively few indigenous Cambodian organisations. Of note are Yodifee, an organisation supporting young Cambodians with disabilities; the Rattan Association of Cambodia which is a supplier to IKEA; and AFESIP, an anti-human trafficking NGO moving to revenue generation. However, interest seems to be growing in social enterprises, as Cambodian participation in local and regional events in this area is increasing. One initiative to help Cambodians start social enterprises is the Social Enterprise Conference of Cambodia being run out of the Royal University of Phnom Penh. It seeks to create an appetite among students and help build capacity. Also, in recent years, Cambodian submissions to competitions such as the Mekong Challenge for SMEs and Global Social Venture Competition (GSVC) Southeast Asia regional contest have been established.

NGOS RUN BIGGEST SOCIAL ENTERPRISES

NGOs run the biggest social businesses in the country: Hagar International[16] (see below), Friends International[17] and Digital Data Divide (DDD)[18] are the most prominent examples. Friends International was set up in 1994 to address a range of issues faced by children of the urban poor. The organisation subsequently began revenue generation through restaurants staffed by young persons trained in hospitality and a chain of stores selling handicrafts made by the affected communities. Now, 50 percent of the cost of Friends' social projects is self-funded. DDD, founded in 2001 by an American expatriate and financed on grants and donations, provides IT training to low-income youth along with funding for their university education. DDD provides them with part-time jobs involving digitising for clients such as Princeton and Harvard libraries, and for books in Kindle format. At one point, DDD's revenues covered three-fourths of its expenses.

Following these NGOs, many Cambodian nonprofit leaders have taken their first steps or are planning a move towards revenue generation. An early adopter is Buddhism for Social Development Action (BSDA)[19] started in 2005 by monks in Kampong Cham. BSDA now runs a restaurant, a handicrafts business and skills development programmes focused on working with orphans and vulnerable children in the Mekong region. It has hired a commercially-trained manager to finding solutions for self-sufficency for its own programmes. Outside its own work, BSDA is also helping build the social enterprise ecosystem by lobbying the government and developing awareness about social enterprises in Cambodia.

However, interviewees say that it is difficult to switch out of the "grant mentality" that pervades the NGO space.

Moreover, there is skepticism among the social enterprise community about NGOs having a genuine desire to reduce dependency on grants and to make the move towards sustainability.

CORPORATE SECTOR MOSTLY MISSING IN ACTION

The corporate sector in Cambodia has yet to begin its involvement in social entrepreneurship or initiate CSR programmes of note. The industry is, at this stage of its development, more focused on the challenge of meeting international Environmental Social and Governance (ESG) guidelines. A notable exception is ANZ Royal Bank, a leader in developing a mobile payment service provider called WING.[20] The bank has been a sponsor and a key participant in the discussions at the Royal Academy's social entrepreneurship conference.[21]

GOVERNMENT REGULATION

Cambodia follows a decidedly open market system, with neither restrictions on foreign ownership of companies nor repatriation of capital. Combined with a young, plentiful, and inexpensive labour force, Cambodia has attracted several regional private equity funds, which have found the country attractive yet overlooked, compared to its neighbours. Logistics and infrastructure is challenging. Key informants, however, point to high country risk for establishing and running an enterprise: red tape during registration, steep taxation, and leakage due to corruption. For organisations dealing with foreign suppliers or distribution, poor infrastructure and logistics make it difficult to import, or export products.
While the microfinance sector is regulated and controlled by the National Bank of Cambodia, there is no specific social enterprise regulation. A controversial draft law[22] that prevents local NGOs from "generating profit for sharing among their members," and requirement for extensive checks on INGOs is cause for concern in the community.

SUPPLY OF CAPITAL— PIONEERS OF CAMBODIA

The bulk of social investment in Cambodia is geared towards MFIs. Interviewees say that the market is getting saturated in certain geographies, and increasingly, the industry is coming under criticism for its lending practices. Foreign investors predominate in terms of impact investment flows in other sectors. Several regional impact investing funds have entered the Cambodian market. A few dedicated funds are working on building the fledgling ecosystem of social enterprises. Insitor Management, ARUN, HSEG, and Hongkong-based ADM Capital Foundation are the main organisations that deploy different types of capital towards early stage social enterprises. A small number of commercial private equity funds have also invested in social enterprises, particularly during the second round of investments, such as the Cambodia-Laos Development Fund.

ADM Capital Foundation— Venture philanthropy pioneers

ADM Capital Foundation gives out grants and interest-free loans to social enterprises and NGOs working with children and youths, or focusing on the environment. With an annual budget of USD 1 million from ADM Capital in Hong Kong and additional USD 2.5 million from partner investors, the foundation's work in Cambodia is a good example of venture philanthropy in the region. It has provided capital to six organisations working on children's issues. The team's focus is on sourcing initiatives where the need is the highest, but new approaches are being tried and solutions are in the initial phase. The models adopted are scalable and sustainable. The team uses the same level of due diligence as in business.

Once an NGO has been signed on, ADM brings follow-on investments and more importantly, the team is intensively involved with the grantees with a focus on managing the money efficiently. Capacity building is an integral part of the agreement, and the team spends around 100 days with a grantee to understand their needs and work on solutions. The foundation provides money for investees' needs such as training and the purchasing of software to improving the financial system. The foundation has stepped in with small grants to help ancillary partners who provide quality services to grantees in order to ensure the latter experiences no mission drift.

Uberis Capital

Uberis Capital[23], a pan Southeast Asian impact investing fund, also has its roots in Cambodia. Its resident partner in Cambodia is Pierre Tami, a seasoned social entrepreneur and founder of Hagar Social Enterprise Group. Uberis Capital's focus is on later-stage social businesses although it is now considering venture philanthropy to help build the ecosystem. Holding the view that social investors from outside the region tend to focus on the top of the ecosystem, i.e. larger investment-ready enterprises, Uberis sees a risk of an underfunded "missing middle" of social enterprises that need capital infusions between USD 100,000 and 1 million. Uberis is looking to build the demand pipeline and nurture younger social enterprises to help them become investment-ready and attract capital. It partners with corporate foundations to deploy philanthropic capital for small entrepreneurs by providing a start-up infusion of USD 20,000 via loans, thus betting on long-term growth of social enterprises in the region.

ARUN's hands-on model of investing and fundraising

A Japanese social investment fund, ARUN is a key player in the social enterprise ecosystem in Cambodia in terms of its investing philosophy. It largely provides uncollateralised loans to social enterprises and follows a hands-on, iterative model to build the capacity of its investees in management, finance, marketing, and impact measurement. So far, ARUN has invested in six social enterprises.

ARUN is also an innovator in fundraising. With a high-engagement limited partnership of around 100 Japanese investors, it closely resembles giving circles for nonprofits. In ARUN's case, the focus is not nonprofits but self-sustaining social enterprises. ARUN's investors pay out USD 6,400[24] each and volunteer their time and expertise to help build the social enterprises. Besides the fund, ARUN is also working on advocacy by hosting subject-matter workshops, events and runs a business plan competition every August.[25]

Hagar Social Enterprise Group (HSEG): Connecting the dots in Cambodia's social enterprise ecosystem

Hagar International, set up in the 1996 by Swiss expatriate Pierre Tami, is an NGO that runs a network of shelters for destitute women in Cambodia. The NGO provides psychological support, time to heal, and, when ready, vocational training for them to move and work. It is an early success story of an NGO that started in Cambodia and has scaled up to nine countries including Afghanistan and India.

To address the issue of employment for Hagar's clients, Tami conceived of a series of six social enterprises including Joma International, Hagar Catering and Hagar Soya to offer comprehensive rehabilitation through work. The social enterprises were owned by HSEG, which is a for-profit company incorporated in Singapore and owned by Hagar International but with a distinct management.

HSEG was created to address the issue of sourcing capital for the greenfield social enterprises and professionalising these operations. Investments were backed by the IFC and other private co-investors. HSEG is a lean operation that provides start-up capital of up to USD 1 million and brings professional management to the social enterprises. Its approach is social first, serving Hagar International's beneficiaries by building high employment ratio businesses such as hospitality and handmade products. Most social enterprises received further infusions of cash from co-investors. Between 1996 and 2009, HSEG made total returns of 10 percent to 11 percent. Its largest investment is Hagar Catering, the biggest catering and facility management company in Cambodia, serving 4,500 meals a day including those to clients such as the Raffles Hotel Le Royal and the Embassy of the United States in Phnom Penh.

Insitor's focus on early stage growth

Insitor Management is an impact investment firm with operational headquarters in Phnom Penh. Its focus is on financing businesses with the potential to improve the lives of low-income families in emerging and frontier markets. Insitor invests in start-ups and businesses in their early stage, with the intent to bridge the gap between initial grants or seeding investments and the later stage funding that is available from most impact investors.

The focus on early stages investees not generally targeted by social investors has been helpful in creating a steady deal flow for Insitor. A hands-on investor, Insitor provides technical advice and management support to the portfolio businesses, leveraging ideas, skills, and finance. Since 2009, Insitor Management has invested a USD 10 million seed fund in 11 companies across Cambodia, India, Laos and Vietnam.

SOCIAL ENTERPRISES' STRUGGLE: LACK OF APPROPRIATE FUNDING

From the point of view of social enterprises, the biggest barrier is the lack of appropriate funding. There are good ideas, but funding sources are scarce for small companies. The need is for grants or seed-stage angel investing to take start-ups to the next level. Finally, funds and social enterprises struggle with poorly aligned priorities and building trust; investees generally will not release equity for fear of mission drift or pressure for oversized returns.

CAPACITY BUILDING / INCUBATION

Investors' chief concern is hands-on support for early stage social enterprises. They point to gaps in general management such as finance, planning and strategy and the fact that Cambodia lacks a dedicated incubator for social enterprises, such as CSIP in neighbouring Vietnam. Emerging Market Entrepreneurs (EME) backed by the World Bank, and BD Link[26] are focused on entrepreneurship in general, and their portfolios include social enterprises. EME charges fees and a share of equity, and provides hands-on business support to entrepreneurs. BD Link provides seed capital of USD 20,000. Shift 360 and Population and Development International—Cambodia (PDI-Cambodia) focus more directly on serving the social enterprise space. Interviewees say SmallWorld is a bold and important initiative launched by a Cambodian entrepreneur.

SHIFT 360: Incubation and advisory for hospitality-focused social enterprises

SHIFT 360, founded in 2010 by serial entrepreneur Pierre Tami, provides capacity building focused on the hospitality space. SHIFT's selection of one industry helps it concentrate resources to grow employment opportunities for young and disadvantaged Khmer. With two full-time staff and two part-time consultants, SHIFT 360 provides strategic advice and contacts to entrepreneurs. SHIFT 360 is funded via a Swiss private endowment funded by philanthropic donors and grants.

SHIFT 360's principal project is to launch the USD 2.7 million Royal Academy of Culinary Arts (RACA). This is a public-private partnership between the Cambodian Association of Hotels, the Association of Restaurants and the Ministry of Tourism. The academy has received funding from the Swedish Development Agency (SIDA) and the UN. Besides RACA, at any given time, the organisation advises five to six regular enterprises to create a social strategy. SHIFT 360 employs personal connections to meet and select candidates. It has developed experience sensitising established entrepreneurs about the possibilities of employing disadvantaged people as well as demonstrating potential improvement in their business revenues.

PDI helps NGOs explore revenue-generation models

A rare effort for NGO incubation in the country was piloted in 2010. PDI-Cambodia was set up with funding from the Gates Foundation with two objectives: integrated rural development and social enterprise training.

In 2011, PDI launched its pilot four-month training for five local Siem Reap NGOs that expressed their interest in moving towards revenue generation. The end goal was for the trainees to develop a realistic business plan to implement a venture to help support their NGOs. PDI-Cambodia offered a maximum of USD 10,000 mixed grant/loan to successful NGOs.

PDI-Cambodia adapted the training based on previous experience of its partner organisation[27] in Thailand, Population and Community Development Association (PDA). The course was managed by a professional training institute from Phnom Penh. With two employees per NGO, the free training[28] was held on weekends over the course of four months. Of the graduates, the restaurant My Duck Soup turned profit-cash positive in the third month. The restaurant management provides extra benefits to staff such as loans for university education and has planned for its expansion to a new location. Two more teams with ideas for large agricultural businesses (rice harvesting/milling) needed USD 50,000 to USD 100,000 of additional seed capital to begin operations.

Based on its pilot experience, PDI-Cambodia is working to further improve on the training. However, the organisation does not have the capacity to expand the training for more than 10 participants per session. Meanwhile, after the first cohort, the PDI-Cambodia office has continued to receive constant queries about their next training session.

SmallWorld: A SmallWorld with big dreams

Along with three others, Rithy Thul, a young Cambodian entrepreneur launched SmallWorld, a co-working space in 2011. Located in the university neighbourhood in Phnom Penh, its aim was to foster the start-up community in Cambodia. Funded by personal savings and USD 5,000 from friends and family, the founders envison SmallWorld to be an accelerator. It currently has 10 start-up teams, including social enterprises, with a total of 30 members using the space, along with access to business and legal support. Besides providing space to entrepreneurs, SmallWorld hosts workshops and is an informal hub for the local start-up community. Thul's vision is for more young Cambodians to be involved in entrepreneurship and development. Steeped in the social entrepreneurship community in Cambodia, Thul underlines the challenges that small, local social enterprises face in the funding and support for capacity building.

UNIVERSITIES: CREATING AN APPETITE FOR SOCIAL ENTREPRENEURSHIP

The universities in Cambodia have slowly begun to host discussions around social entrepreneurship. The Royal University of Phnom Penh, the Royal University of Law and Economics and Limkokwing University have run classes, conferences or seminars on the sector. The Royal University of Phnom Penh, backed by the British Council, ran a series of social enterprise conference consecutively for two years. Isaac Lyne, who coordinated the conference from 2011, says the focus was to encourage more Cambodian nationals to start social enterprises. From 230 attendees the first year, the conference grew to 340 in its second year. The third conference received more than 400 attendees.

CONCLUSION

Cambodia's fledgling social entrepreneurship movement has provided evidence of a few examples of innovative funding and support. There is demand for more grant or seed-stage angel investing along the lines of ADM Capital Foundation's approach, to fund the learning curve for social enterprises as well as nonprofits. In order to accelerate its growth, the country needs multi-year grant support for field-building. This includes setting up a national level convener, easily accessible incubation support targeted at early-stage social enterprises, and funding to run the Royal University of Phnom Penh conference. Most importantly, intermediaries need to build a bridge between the expatriate and local community to encourage more knowledge sharing and collaboration.

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VIETNAM

Since the launch of its Doi Moi economic reform programme, Vietnam has achieved remarkable and consistent economic growth, lifting millions out of poverty. However, the socio-economic fabric of the country is still coloured by the decades-long struggle for independence, and conflict between communist and capitalist ideologies. The Communist Party of Vietnam, the ultimate victor in these epic struggles, retains a sizeable membership, and through the state, retains a monopoly of power.

With such disparities of power, Vietnam faces challenges similar to that of China. First, it is hard to gain official recognition and registration of NGOs. Vietnam may be the country in the region in which it is most difficult to set up and run an NGO, and private philanthropic foundations are largely unknown. Second, and somewhat paradoxically, it is hard to define the role of social purpose in business, and find a distinct identity for social enterprises, in societies where all economic activity is at least notionally in service of state-sanctioned social goals. If all enterprises are "social," what then is a social enterprise?

Vietnam has remained fiercely independent of outside influence, with the US only lifting trade sanctions in 1994. As such, the country has not seen the proliferation of NPOs reliant on international aid flows, to the extent seen elsewhere in the region. This relative vacuum in the social sector, coupled with overall economic growth, underlies two phenomena. First, a number of innovative social enterprises have established themselves in the country, making a generational leap over more traditional models. Examples would be Mai Handicraft, KOTO International, and Mekong Quilts. Second, Vietnam has been a favoured destination for returns-orientated impact-investing funds, alongside other foreign direct investment flows. Such investments, albeit limited in number, provide goods and services such as healthcare and housing for lower-income families; elsewhere, not-for-profit structures may already exist to address such needs, at least partially. Overall, Vietnam provides a positive platform for the deployment of social investment approaches. However, those approaches face the challenge of trying to reach scale, just as the country's current growth model appears to be reaching its limits.

AFTER THE WAR, TWO DECADES OF SUCCESSFUL REFORMS

After gaining independence from French colonisers in the early 1950s, Vietnam further experienced three decades of political unrest – first with the Vietnam War, and then deep economic and civic chaos under the tightly-controlled communist administration run by Le Duan. The country's journey from a highly planned centralised system to a mixed economy began in 1986 when new leadership initiated the Doi Moi (meaning "renovation") programme. Vietnam has been, for much of its history, a predominantly agricultural society based on wet rice cultivation. With Doi Moi, private ownership, deregulation and foreign investment were encouraged alongside state-owned enterprises. Now, manufacturing and IT form a large and fast-growing part of the national economy.

The country's progress in the last two decades has been remarkable for two reasons. Firstly, its economic development has outstripped other nations that also started transitioning at the time. By 2010, the country had achieved lower-middle-income status with a quintupling of its per capita income to USD 1,130 and an annual average growth rate of 7.3 percent for two decades. This period saw an influx of foreign investment, booming stock market and rising prosperity. In 2013, according to IMF figures, the nominal GDP reached USD 170.020 billion, with nominal GDP per capita of USD 1,896.[1]

Second, Vietnam has been able to deliver some of the benefits of growth to the poor and its relative poverty rate is less than China, India, and the Philippines. Poverty levels have fallen by a third in the last two decades from 60 percent of the population to 20.7 percent.[2] Alongside large-scale privatisation and liberalisation, Doi Moi was initially anchored in land redistribution, special allocations for poorer rural areas and subsidised social programmes, especially education and healthcare. A key reason for its success was a gradual, iterative, bottom-up reform approach, particularly in agriculture. Development agencies have lauded the country for meeting half of its MDG targets, and for being on track to meet two more by 2015.

CHALLENGES AHEAD

Vietnam's Socio-Economic Development Strategy for the period 2011 to 2020 lays out the government's aspiration to grow per capita income to USD 3,000 and achieve several ambitious development milestones particularly in healthcare, and poverty alleviation. However, there are reasons why the country's road ahead may not be as smooth:

- The government has not had the capacity to deliver basic social protections across society. Vietnam experiences high levels of income inequality, especially among ethnic minorities, disparities in access to education, healthcare, and gender inequality.
- Vietnam's population of over 90 million, currently the

third most populous in the region, is rapidly ageing. More than 70 percent above the age of 65 have no savings, only 30 percent have pensions, and access to healthcare is insufficient.

- Vietnam has struggled to move up the "value chain" of wealth creation, with insufficient investment in education and training. Currently, its relatively unskilled labour force is at a competitive disadvantage from lower cost centres of production.
- There is a significant urban-rural development divide. Insufficient public infrastructure in poorer areas has hampered access to public service delivery.
- The country does not have an adequate disaster management programme in place. Natural disasters wipe out 1.5 percent of the country's GDP annually, and the poor bear the brunt of storms and floods due to their inordinate dependence on natural resources for their rural livelihoods. Moreover, unsustainable practices are threatening future incomes.
- From being a magnet for foreign investors to a quick exodus after the 2008 financial crisis, the country's economy is on shaky grounds. Lack of transparency and endemic corruption place Vietnam below Indonesia, Thailand and Philippines in terms of competitiveness. These factors are an equal if not bigger challenge for entrepreneurs interested in setting up social businesses or revenue-generating nonprofits.

AN UPHILL CHALLENGE FOR CIVIL SOCIETY

Vietnam has been particularly challenging for civil society actors, and it is tightly controlled and restricted for any signs of political advocacy. There are large, membership-based organisations such as trade unions and women's unions that have existed since the 1970s. These quasi-government mass organisations, funded by and reporting to the communist party's Vietnamese Fatherland Front, dominate the country's social sector. The country did not see its first locally founded NGO until the late 1990s. To date, the government continues to be suspicious, and the fledgling local NGO sector is made up of small organisations with weak networks chiefly due to lack of access to information. As economic growth has transformed the country, the government has gradually let slip its monopoly on provision of public goods and services. There is an implicit understanding that the government cannot deliver in terms of capacity, knowledge, and resources. The government has, however, yet to explicitly endorse the idea that the actors from the local social sector not only have the potential to fill an important gap but also speed up the nation's development pace. Regardless of recent inroads, this change is yet to be reflected in policies, laws and regulations of the sector, which are unclear and hence, cumbersome for the growth of an able NGO sector in the country. There is anecdotal evidence of individuals attempting to register as an NGO, but who opt for registering as a company after being defeated by the bureaucracy.

There are several pieces of research, particularly by the Asia Foundation, to map civil society in Vietnam, and we pick the following clusters as most relevant to the scope of our research.

1. International NGOs (INGOs): After the Vietnam war, INGOs were welcomed into the country but swiftly turned away as their stance was perceived to be anti-government. After Doi Moi, the government invited aid agencies, especially from Japan and Europe, and INGOs re-established themselves in the early and mid-1990s. Today, there are estimates[3] of around 900 INGOs in the country. According to the Vietnam Union of Friendship Organisations Resource Center, that serves as a network for INGOs working on specific issues; from 2003 to 2013, INGOs have spent USD2.4 billion in Vietnam. INGOs have strong networks, including within the government, and over the years have served the role of building trust with the administration. With Vietnam entering the middle-income category, INGOs as well as aid agencies have begun scaling back (Ford Foundation and Sida have left; official development assistance from UK and Denmark is on the decline[4]) and are increasingly looking to redirect their resources to countries with more need.
2. Local NGOs: Vietnamese NGOs (VNGOs) struggle with the government's willingness to allow them to operate. Their funding is limited and unstable, mostly from INGOs and international aid donors.[5] Capacity building and training is another critical area of need, and VNGOs struggle to retain trained staff because of low salaries or the lack of career direction. Our interviewees report that many of them are looking into revenue-generation opportunities as a means for seeking stability. A few, like Action for the City, set up to improve urban life in Hanoi, have successfully made the transition.
3. Community Based Organisations (CBOs): CBOs range from water-users, cattle farmers, mutual assistance groups in rural areas and student clubs, clan associations and religious charities in the cities. Most do not seek formal registration, and their numbers have been estimated to be from 100,000 to 200,000. CBOs are small and most of them are self-sufficient. For some, government and INGOs or donors are sources of funding. Community work in Vietnam has expanded in the last 20 years, but has room for a lot of growth compared to Thailand, Indonesia and the Philippines.

Apart from INGO themselves, there is a dearth of intermediaries who help with building capacity of local NPOs. There is one example in the LIN Center for Community Development though it is limited to Ho Chi Minh City in South Vietnam.

LIN: A CRITICAL INTERMEDIARY FOR NGOS IN THE SOUTH

The LIN Center for Community Development[6] helps fill two important gaps in the ecosystem. Firstly, LIN helps to nurture the development of the nascent NGO sector by developing the capacity of NPOs to operate and partner effectively. Secondly, it facilitates meaningful partnerships between the NPO sector and the philanthropic community within Vietnam and overseas.

LIN's founder Dana Doan has a ringside view of the issues that the emerging NPO sector faces. The most critical issue is the need for an enabling environment for philanthropy and nonprofit organisations, which encourages collaboration. The other key issue is that resources are needed to build the capacity of both donors and nonprofit organisations, in order to build trust and foster collaborations across sectors. To address these issues, LIN organises various programmes to facilitate local investment into nonprofit programmes. The Narrow the Gap Community Fund[7], for example, engages the community in an informed grantmaking process. Although the grants are small, due to limited resources, the process is designed to simultaneously build capacity and connections.

LIN engages the corporate sector, including both foreign and local companies (e.g., Kinh Do Corporation, Intel, Ernst and Young, Horizon Capital Group, Vinausteel), with the aim of inspiring corporate community engagement that is sustainable. To encourage this, LIN matches business professionals from well-known companies with NGO staff to share their knowledge in their fields of expertise; these professionals include workshop trainers, experts, advisers, mentors and coaches.

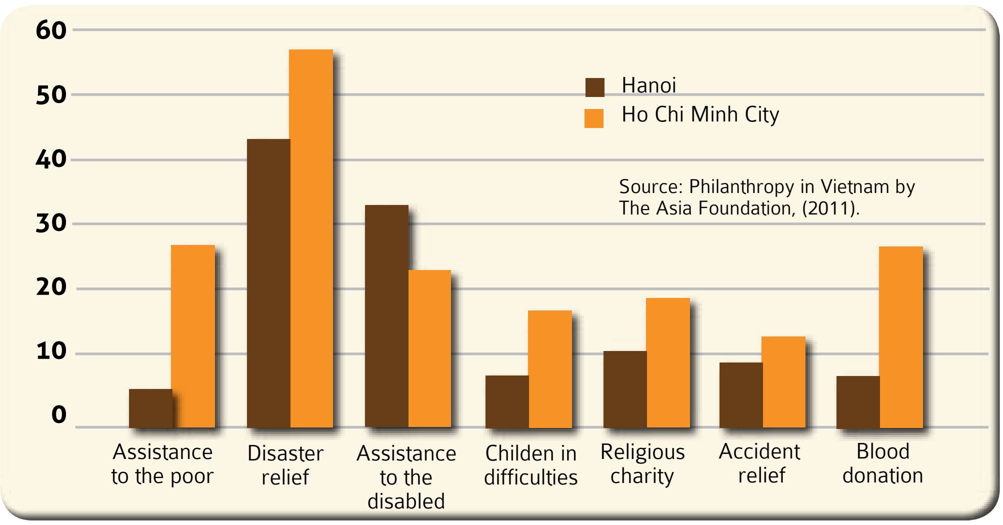
LIN was envisioned after the founders visited international initiatives to connect and build the capacity of the philanthropic community such as the National Volunteer & Philanthropy Centre in Singapore, the Hong Kong Council of Social Services, Taproot Foundation and United Way International in the US. LIN's strategic plan aims to support the development of an enabling environment for NGOs while making use of online platforms to help streamline and crowdsource the exchange of information and resources.

PHILANTHROPY

Although a long tradition of giving in Vietnam persists, mostly influenced by religious practices, private domestic philanthropy has not yet reached the scale or sophistication to address social deficits at scale or act as domestic "risk capital" to pilot new social interventions. Philanthropy in Vietnam will need to grow significantly to replace the international funders vacating the country as Vietnam achieves middle-income status. This lack constitutes the biggest gap in the Vietnamese social finance ecosystem.

In 2011, a philanthropy survey of 200 households was undertaken by the Asia Foundation and the Vietnam Asia Pacific Economic Center.[8] The survey found a strong preference for giving through informal channels, principally Christian churches and Buddhist temples, rather than official charity channels. Key concerns cited by recipients included transparency and accountability. Corporate philanthropy, with government endorsement, is more institutionalised. A typical example would be Rising Vietnam, a milk-donation programme undertaken by Vinamilk, one of Vietnam's most respected companies, in partnership with Save The Children.

Figure 1: Corporate participation in charitable activities in the two cities from 2010 to 2011



Some potential to grow philanthropy in Vietnam exists in the Vietnamese diaspora population worldwide. One example would be the Vietnam Education Foundation, which is supported by Vietnamese-American entrepreneurs such as Trung Dung and David Duong. However, the lingering mutual suspicions between the Vietnamese government and diaspora members mean that such flows are unlikely to upset the status quo through the wholesale adoption of social investment approaches, as opposed to traditional philanthropic models.

Vietnam does not yet have the institutionalised private foundations existing in some other countries in the region, which can support innovation in the social sector. Apart from the difficulties of establishing such foundations, the patterns of wealth in Vietnam differ greatly from other middle-income countries in Southeast Asia. Most HNI wealth that exists is first-generation wealth, and most philanthropists have not gone beyond charity to institutional philanthropy. Foundations in countries such as Indonesia and Malaysia are typically established by ultra high net worth families, and these foundations persist and diversify as wealth is passed from one generation to the next. This has yet to be seen in Vietnam since few financial intermediaries such as private banks operate in the country, and the "family office" managing private wealth is largely unknown.

Overall, private philanthropy in Vietnam remains in its infancy. Corporate philanthropy is more developed, but faces the challenge of moving beyond "chequebook" giving to embrace more strategic CSR approaches, and to leverage corporate competencies.

SOCIAL ENTREPRENEURSHIP

The Centre for Social Initiatives Promotion (CSIP) exists to support social enterprise in Vietnam and has identified around 200 social enterprises in the country.[9] Most of these social enterprises are at a very early stage, strapped for financial as well as capacity-building support, and are more concerned with survival than scale. There are very few local entrepreneurs who have built headline-making social enterprises.

According to CSIP,[10] before Doi Moi, cooperatives served as the forerunners to the SE model. Most cooperatives were started with the purpose of creating jobs and supporting vulnerable groups such as the handicapped, and they operated in the cottage handicraft industry. In the 1990s, the first generation of organisations that most resemble today's social enterprises were formed. Notable examples are Hoa Sua School, a school for disadvantaged youth supported by French NGOs and UNDP, which is cross-subsidised by restaurants, shops and a hostel run by its graduates; KOTO in Hanoi, which began as a shelter for street children and has grown to a five-star hospitality training centre and a training restaurant; and Mai Handicrafts in Ho Chi Minh City, a fair-trade model for traditional Vietnamese handicrafts made by disadvantaged women.

The term social entrepreneurship was introduced to Vietnam by research, advocacy, events and business plan competitions of CSIP and the British Council. The two have partnered for raising awareness and advocacy. In 2010, the Spark Centre for Social Entrepreneurship Development began to work in rural areas. In 2012, CSIP, the British Council and the Central Institute of Economic Management published Vietnam's first advocacy document for the sector—Social Enterprises in Vietnam: Context, concept and policies.[11]

Currently, Vietnam sees three types of social enterprises:

1. Emerging new entrepreneur with a blend of social and financial returns.
2. NGO moving towards sustainability, and
3. Business sector initiatives seeking social and environmental benefits.

Impact investing funds have begun to flow significantly, from regional and global impact investing players. In 2013, Vietnam announced its first indigenous impact investing fund—Lotus Impact, supported by the VinaCapital group, which has assets in Vietnam valued at USD 1.5 billion. With target investment size ranging from USD 500,000 to USD 7 million, in projects related to affordable housing, clean water and vocational training, Lotus Impact will target social enterprises in Vietnam, Laos, Myanmar and Cambodia.

Interviewees express frustration that for the current crop of social enterprises to survive, Vietnam needs a wider spectrum of funding from social investors, including venture philanthropy. More than simply financial support, social enterprises need access to more intermediaries and capacity-building models which can provide considerable hands-on assistance in running the fundamentals of business.

Hurdles in Vietnam:

- Weak support from government authorities
- Bank lending regulations that do not yet address social enterprises
- Lack of partners to work with
- Absence of foundations to team up with
- Insufficient funding (for company, or NGOs)

In Southeast Asia, Vietnam has examples of two intermediaries that offer complementary services for social enterprises.

An incubator vertical

Center for Community Initiatives Promotion (CSIP) nurtures ideas at the every early stage, whereas Spark focuses on growing established social enterprises.

1. CSIP: the convenor

CSIP has played a leading role in building the ecosystem for social entrepreneurship in Vietnam. Founded in 2008, after an initial grant by The One Foundation, it followed a gradual, evidence-based approach in defining its role. Today, CSIP runs an incubation service for 50 very early stage entrepreneurs – directly investing money in them, as well as addressing skill and resource gaps. These social enterprises work on issues such as environmental protection, community healthcare and job creation for disadvantaged populations. CSIP also serves as a platform matching social enterprises with appropriate capital providers and non-financial resources. It is LGT Venture Philanthropy's partner in the fund's accelerator programme. Finally, CSIP is also at the forefront of advocacy for social entrepreneurship with the public as well as the government.

Early on, CSIP adjusted its incubator intake strategy to the ground reality in Vietnam by including revenue-generating nonprofits along with social businesses. CSIP's own sources of capital are moving from aid to self-sustainability by 2018 with fees from training and consultancy.

According to CSIP, social enterprises in Vietnam face two core issues:

1. The need for sustained, hands-on support for running their operation.
2. An enormous mismatch between demand and supply of size of investments.

Research has served as a critical success tool for CSIP. At its inception in 2008, CSIP did the first survey in Vietnam to map out social enterprises. This survey, with an update in 2011, became a tool to not only generate media coverage around the concept of social entrepreneurship but also to build support for the movement among various stakeholders such as the Vietnamese government, regional impact investing funds, corporate houses such as KPMG and Deloitte, and universities in Vietnam and other countries such as Belgium, UK and Singapore.

2. Spark, hands-on capacity builder

If CSIP's focus is urban and on generating the critical buzz around social entrepreneurship, Spark seeks to develop the SE market on the ground in the provinces of Vietnam. The other key difference is that Spark's focus is on small to medium-sized organisations (which have been around for a few years) looking to scale. There are two instances of CSIP graduates who are now enrolled in Spark to achieve scale. Spark has chosen to work with 17 social enterprises after screening 280 companies in the areas of healthcare, education, environment protection and community building. The social enterprises receive a grant of USD 5,000 to 20,000, and Spark maintains a tight focus on capacity building over a period of one to two years. Besides mentoring workshops, Spark offers capacity building in areas such as production, markets, finance, accounting, IT and training for middle management.

Spark, an independent NGO since 2011, was a spin-off from an original programme of SNV Netherlands Development Organisation.[11] Besides running the incubator, Spark is a key ecosystem connector. It has partnerships with funds such as Lotus Impact[12], and Kiva[13], as well as an Memorandum of Understanding with the big four accounting firms to supply volunteer work for young professionals. Funded by the UK Department of International Development,[14] Spark is also building a business plan for running the Vietnam Business Challenge Fund.

Spark's chief challenges stems from managing a network of social enterprises in the provinces. It is challenging to mobilise experts to work with the social enterprises and to deal with the complexities of managing local authorities. Spark is that rare model for hands-on capacity building in the region that is well-respected both by the nonprofit community as well as impact investing funds.

A PIPELINE OF HUMAN CAPITAL

As is the case of other countries in Southeast Asia, attracting and retaining talent was cited by interviewees as a big challenge. Without nationally-known public figures – either in the corporate sector or star social entrepreneurs themselves – Vietnam lacks the kind of role models which are critical to attracting high quality talent to the sector. Two small, but innovative, initiatives that specifically seek to address the HR challenge are worth noting.

YESE taps local talent

Young Entrepreneurship and Sustainability Education (YESE) runs yearly workshops which conclude with on-the-job training and placements with companies via internships. YESE runs a lean operation that costs up to USD 10,000 a year, and is paid for by fees and grants from UN Habitat, CSIP and RMIT university. Every year, YESE selects 40 participants out of a pool of 500 applicants. The idea behind the workshops is to expose local talents who usually prefer stable MNC jobs to ideas of entrepreneurship and sustainability. With 150 graduates thus far, 20 percent have joined social enterprises and 5 percent have started their own projects. YESE's plans are to focus on the latter 5 percent and the organisation ensures that these early-stage ideas survive by pairing them with investors and mentors.

Habataku plugs Japanese talent and expertise into Vietnamese social enterprises

Habataku acts as a bridge between social enterprises in Vietnam and industry experts based in Japan. It identifies the key business issues facing social enterprises and finds professionals who are experts on the issue. The link between the two is young Japanese talents who are paired with social enterprises in Vietnam for a year and act as messengers for the industry experts who have the experience and knowledge to solve issues remotely. Habataku works closely with CSIP.

The founder of Habataku, Yoshitaka Ohara, has devised an interesting way to fund the programme. One source is crowdfunding so that the Japanese professionals fund their year in Vietnam. The second is that Japanese experts pay to join this programme. In Japanese culture, employees rarely switch companies and usually work with one company for life, and Habataku offers them a precious opportunity to apply their skill sets outside the company.

Piloted in 2013, Habataku worked with two social enterprises, two young Japanese professionals, and 10 experts in Japan. The idea has had initial successes owing to the fact that the Japanese are using their business expertise and transferring best practices to the social enterprises. One SE manufactures wheelchairs and their challenge was to upgrade their 10-year-old product of customised wheelchairs. The second SE manufactures clean coal for daily use and the manager's struggle was with raising productivity and improving product quality. The enterprise was using a dated manufacturing process that depended on the weather, and wet weather resulted in poorer quality coal. Ohara's future plans are to expand the model geographically, and to set up a fund to invest in these social enterprises.

Joma: An social enterprise reaching scale in the Mekong region

Joma, a for-profit enterprise managed by expats, was started in Laos by setting up a chain of cafes and bakeries providing employment for disadvantaged people. With an annual revenue of USD 5 million, Joma hires around 500 people and runs five cafes and two bakeries in Vientiane and Luang Prabang (Laos), and four cafes and a bakery in Hanoi (Vietnam) and two cafes and a bakery in Phnom Penh (Cambodia). Plans are underway for launching branches in Chiang Mai (Thailand), and conducting market research for Yangon (Myanmar).

The social enterprise has reinvested its profits to fund expansion and hands over 1 percent of its sales back to Hagar International, a nonprofit organisation that provides training for its employees. Another 1 percent of sales is chanelled back to community grassroots initiatives that typically focus on improving basic life needs.

Insitor Management,[15] Emerging Markets Investments,[16] Hagar Social Enterprise Group and Bamboo Finance[17] invested to expand Joma's operations to Vietnam and Cambodia. Except for equity, Joma has faced challenges raising all kinds of funding. Its CEO Michael Harder spoke of the situation, "Very few banks will consider a loan, and if they do, too small a loan." Start-ups have it particularly hard as local banks expect them to show profits over the last few years, and interest rates offered are relatively high. The concept of SE is also not understood among local banks. In addition, foreign enterprises are not allowed to own buildings and land, so in Joma's case, the social enterprise could not submit collateral for loans.

CONCLUSION

As the Vietnamese government shows initial signs of relaxing control, growing Vietnam's domestic NPO sector and philanthropy remains a challenging endeavour. Capacity building and network organisations such as LIN can play a critical role in mobilising support and building a culture of transparency for the fledgling sector. A key gap in the social entrepreneurship ecosystem is the scarcity of domestic risk capital to fund the learning curve of SPOs. Businesses (initiatives such as PBSP in the Philippines) and HNWIs (mobilising giving circles) are potentially a good source of capital to fund field-building to help accelerate growth of the sector in Vietnam.

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Zuellig Family Foundation, Philippines
www.zuelligfoundation.org/

Lien Foundation, Singapore
www.lienfoundation.org/water.html

Tsao Foundation, Singapore
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Venture philanthropy and impact Investing Funds

ADM Capital Foundation, Hong Kong, http://www.admcf.org/

Aavishkar, India, http://www.aavishkaar.in/

Bamboo Finance, www.bamboofinance.com

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InspirAsia, Indonesia, http://inspirasia.org/strategic-philanthropy.html

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Organisations working with community enterprises

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About the publication

From Charity to Change looks at how social investing is evolving in Indonesia, the Philippines, Singapore and Thailand. It examines the emerging ecosystem for social investment in each of these countries, with a view to identifying gaps and obstacles to the advancement of the field. A section containing reports on current social investing developments in Cambodia and Vietnam is also included in the publication.

About the Lien Centre for Social Innovation

The Lien Centre for Social Innovation, a partnership between the Lien Foundation and Singapore Management University, was established in 2006 to advance the thinking and capability of the social sector. The Lien Centre contributes to a more equitable, inclusive and vibrant society by addressing social needs through innovative approaches. We drive socially innovative solutions by strengthening social sector organisations so that they become influential and effective partners with business and government. We also work at the intersection of the public, private and social sectors to catalyse social innovation.

The Lien Centre's *Social Insight Research Series* is a series of research papers which explore topics of contemporary interest in Singapore and the region, generating new thinking and fostering innovative practices.

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