

Innovation in Asian Philanthropy

Entrepreneurial Social Finance in Asia

Working Paper No. 2 | April 2013



Rob John
and Pauline Tan
with Ken Ito

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Asia
Centre for
Social
Entrepreneurship and
Philanthropy

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The Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) is an academic research centre at the National University of Singapore Business School, comprising an international multi-disciplinary research team. ACSEP came into formal existence in April 2011, with a geographic focus embracing 34 nations and special administrative regions across Asia.

For full details of ACSEP's work, see
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The Centre aims to advance the understanding and impactful practice of social entrepreneurship and philanthropy in Asia, through research and education. Its working papers are authored by in-house researchers and aim to provide insights into key questions of interest to researchers and practitioners.

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Foundation of the Partners of Lombard Odier & Cie, private bankers established in Geneva, Switzerland, since 1796, Fondation Lombard Odier is a public utility grant-making foundation, member of SwissFoundations and of the European Foundation Centre. It focuses its support on three key areas: promoting sustainable development, supporting entrepreneurship among the youth and advancing the philanthropic sector. Following a 2010 study dedicated to ways to enhance philanthropy in Switzerland, Fondation Lombard Odier is pleased to support the Asia Center for Social Entrepreneurship and Philanthropy in its research of innovation in Asian philanthropy.

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Entrepreneurial Social Finance

Working Paper No. 2

By Rob John and Pauline Tan, with Ken Ito

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More than 40 individuals were interviewed in 12 countries during the course of the study, leading to the organisational profiles and other valuable contributions and insights. Their passion, energy and commitment to the common good are helping drive innovative giving in Asia today. We appreciate the time they gave us, carved from very busy schedules.

An Introduction to the Working Paper Series

Organisations that address social issues through charitable or enterprising models, and those that offer them resources are part of a rapidly evolving global ecosystem. The rise of social entrepreneurship, new hybrid organisational models, more engaged and demanding entrepreneurial philanthropists, and market intermediaries are players shaping this landscape. Entrepreneurial social finance (ESF) has its modern origins in the development of venture philanthropy in Silicon Valley during the 1990s and impact investing from 2008, as philanthropists and social investors sought to respond to the needs of social entrepreneurs to innovate and grow their ventures.

During the first decade of the new millennium venture philanthropy took hold in Europe, initially in the U.K., where it was a well-networked movement strongly linked to the commercial private equity community. Throughout Asian countries there is a renaissance of philanthropy, due in part to the global phenomenon of social entrepreneurship, but also to the emergence of newly wealthy entrepreneurs in the region. This working paper series on ESF is a contribution to the Asia Centre for Social Entrepreneurship and Philanthropy's thought leadership in Asia.

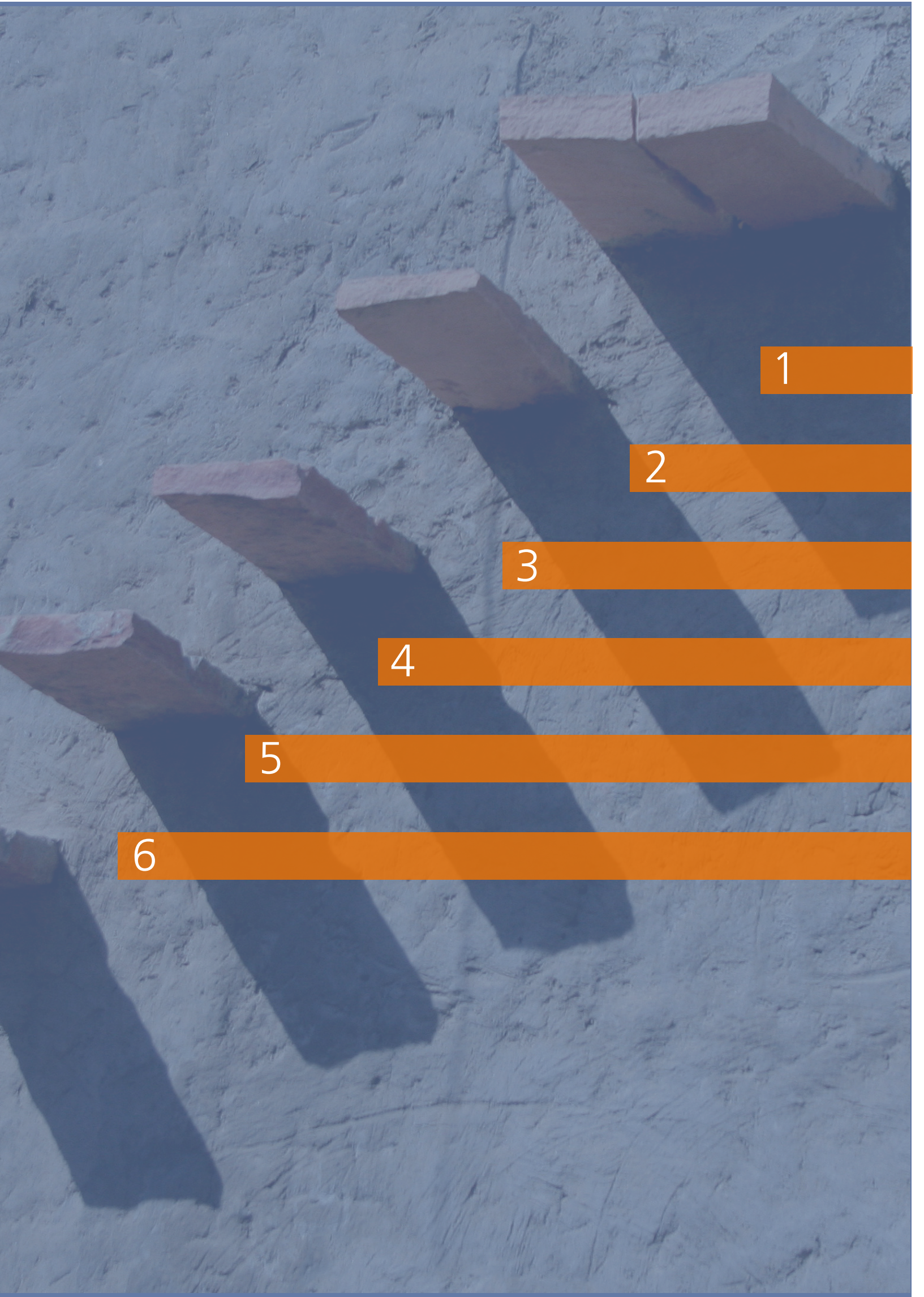
This series of entrepreneurial social finance working papers will cover topics including:

- The emergence of entrepreneurial social finance in Asia¹
- Mapping and typology of ESF models in Asia
- Case studies on entrepreneurial social funds and their investments
- Funding innovation and scale
- Metrics for performance and impact
- Leveraging non-financial services in Asia
- Critical issues facing the financing of social enterprises in Asia
- Entrepreneurial social finance models in the broader context of Asian philanthropy

The intended audiences for these working papers include:

- Venture philanthropists, strategic grant-makers and impact investors in Asia wishing to view their own contributions in a wider context
- Funds in Europe and the U.S. looking to understand and potentially partner with funds in Asia or make their own direct social investments
- Private grant-making foundations in Asia, Europe and the U.S. interested in co-investing with Asian-based ESF funds
- Academic researchers wanting to study in-depth ESF methodology and its impact in Asia
- Wealth and professional philanthropy advisors who offer strategies for the philanthropic activities of wealthy individuals and family offices
- Social entrepreneurs in Asia looking for opportunities to partner with ESF funds
- Philanthropists and investment or related professionals looking to become personally involved in Asian philanthropy

¹ For the purposes of this series we consider 'Asia' to be: North Asia (with a particular focus on Greater China, South Korea and Japan), the ASEAN grouping (with particular focus on Singapore, Malaysia, Thailand, Vietnam, the Philippines and Cambodia), South Asia (with a particular focus on India and Bangladesh, and including Pakistan) together with Australasia (with a particular emphasis on Australia and New Zealand).



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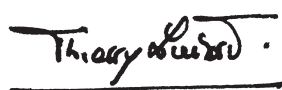
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Forewords

Inspired by the philanthropic engagements of previous generations, and nourished by our personal experience as funders - and as private bankers, accompanying our clients in their own giving journey - we are deeply convinced of the value of social commitments. Philanthropy comes in many forms and shapes. Donors are free to direct their attention to the social issues that most concern them in the ways they deem best suited. This freedom allows for experimenting and risk-taking. In our view, philanthropy doesn't just have the latitude to innovate, it has a duty to do so, in order to adapt to the evolving needs in society and find the most efficient ways to deliver social impact.

By commissioning this study by the Asia Centre for Social Entrepreneurship & Philanthropy of the National University of Singapore, the ambition of Fondation Lombard Odier is to contribute to a better understanding of the dynamics at play in Asia. It follows suit to a study published in 2010, *Advancing Philanthropy in Switzerland*, our home country, which taught us the need for a visible and dynamic philanthropic sector. Despite a regrettable dearth of reliable data, Dr Robert John and his team have been able, through interviews with funders, social investors and heads of philanthropic institutions, active from India to Japan, to depict a continent animated by a profound quest for social value creation. We hope it will inspire donors and impact investors all around the world to dare engage, creatively and innovatively, to the benefit of society.



Thierry Lombard
President
Fondation Lombard Odier



Karin Jestin
Secretary General
Fondation Lombard Odier

Philanthropy is rapidly developing throughout most of Asia, driven by an unprecedented growth in personal wealth. The number of high net worth individuals (HNWIs) in Asia rose to 3.37 million, overtaking the number of wealthy in either North America or Europe, in a region where 1.63 billion people live on less than US\$2 a day. There is a vital role for philanthropy in addressing the tension between wealth creation, poverty and pressure on the environment through economic growth. In rising to this challenge, Asian philanthropy must be innovative – learning from best practices globally and adapting to local needs and cultural context.

The Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) was established to advance understanding and the impactful practice of social entrepreneurship and philanthropy in Asia, by means of research and education. Academic interest in Asian philanthropy is growing but is hampered by a lack of quantitative and qualitative data. This study is a timely contribution to our understanding of how innovation is shaping philanthropy in the three interconnected areas of Entrepreneurial Philanthropy, Strategic Philanthropy and the Philanthropy Ecosystem.

I appreciate the use of anecdotal profiles throughout the study, providing a glimpse into the heart and mind of individuals who are innovating through thoughtful experimentation. The report details how the philanthropy ecosystem has grown to be more entrepreneurial, strategic and focused on outcomes.

We hope the report will encourage philanthropists at all stages of their personal giving journey, to learn from others and be committed to collaboration and transparency. As an academic institution, we also hope the report will stimulate long term, data driven research to deepen our academic understanding of philanthropy in Asia.

We appreciate the commissioning of this research by Fondation Lombard Odier and trust that the report will be a useful resource for all wealth managers in advising their clients on purposeful giving in Asia.



Keith Chua
Advisory Board Chairman

Asia Centre for Social Entrepreneurship & Philanthropy,
NUS Business School

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Introduction and Scope of the Study

How philanthropy in Asia will develop in the coming decade matters. Despite economic progress having lifted millions out of poverty in the last 20 years, one half of Asia's 1.63 billion people live on incomes of less than \$2² a day. We don't yet fully understand the impact of the 2008 global financial crisis on Asia, but the Asian Development Bank predicts that the number of poor in nearly half of its 25 developing member countries will increase. Even in countries with sustained economic growth rates, like China, there is an increasing environmental burden to bear because of growth and a challenge to social order from a widening gap between rich and poor. Personal wealth is being created in Asia Pacific at unprecedented levels. The number of high net worth individuals (HNWIs) grew by 1.6 percent from 2010 to 3.37 million, overtaking the number of wealthy in either North America or Europe. While over half of the region's wealthy are in Japan, the number in developing economies is growing - 16.1 percent of HNWIs are in China. Eight of the 20 fastest growing HNWI populations are now in Asia Pacific, including Hong Kong, Vietnam, Sri Lanka, Indonesia, Singapore and India. This tension between widespread poverty and wealth creation potentially provides the foundation for the growth and maturation of private philanthropy in the region. Dennis Cheek asks if new wealth in Asia is a cause for rejoicing (Cheek, 2012). He points out that the astonishing growth in Asian private wealth needs to be matched by a new

generation of Asian philanthropists with the leadership and imagination to "push for transformational projects that reinvent and massively improve social systems through a tough-minded, innovative and rigorous approach to managed change." The entrenched depression of the global economy has resulted in a perceptible shift in attitude to extreme wealth. Politicians in the United States and Europe call for higher taxes on the wealthy, in China public scrutiny of the wealthy is a sensitive political issue. Gideon Rachman of The Financial Times speaks of a global backlash against the rich, and there has perhaps been no better time in recent history for those with wealth to demonstrate their responsibilities to use it through new, creative forms of philanthropy.

The Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) was established in 2011 within the National University of Singapore's Business School. Its primary research interest lies at the intersection of the diverse practices of social entrepreneurship and philanthropy. This study on innovation in Asian philanthropy was commissioned by Fondation Lombard Odier, the foundation of the partners of one of Europe's oldest private banks, established in Geneva in 1796. Our publication is the second in a series of ACSEP working papers concerned with what we have termed 'entrepreneurial social finance' in Asia, which explores how philanthropy is responding to the financial and non-financial needs of the region's social entrepreneurs. The term philanthropy is most commonly associated with straightforward grant making, most usually making donations where all capital is lost and no return expected. In modern practice, philanthropy is

more sophisticated and diverse than this, wanting to utilise as many tools as possible with the goal of creating sustained social change. Recognising this, we prefer to define philanthropy, in this study, as *the deployment of financial and human capital for primarily social impact*. For this reason we investigate the growing interest in 'impact investing,' which seeks to use non-grant finance to maximise the social and financial outcomes by investing in social businesses.

Even within this understanding of philanthropy, there is a wide spectrum from 'retail' giving (the relatively small amounts given by the general public) to donations and specialised philanthropy vehicles of the comparatively wealthy. This study is intentionally focused on 'high end' philanthropy by HNWIs, and professionally managed philanthropy vehicles such as grant making foundations and impact investment funds. It is natural that those who give their wealth to charity or invest in social enterprises will expect these acts to make a difference. Some go further and see themselves as what Teresa Lloyd calls 'catalysts for change' in her book on *Why the Wealthy Give*. (Lloyd, 2004) Having the confidence that their giving can make a sustained, beneficial impact is what Paul Schervish calls the *hyperagency of the Modern Medici*: "While great expectations and grand aspiration exist across the financial spectrum," it is the wealthy who can make things happen (Schervish, 2000). This is the underpinning of what, more recently, Bishop and Green have coined *philanthrocapitalism*.

We also explore the growing phenomenon of 'giving circles,' which engage HNWIs and the more modestly wealthy class of business professionals. Similarly, we recognise the value of

² U.S. Dollars are used throughout this working paper, unless otherwise specified. Currency conversions, where used, are approximate.

non-financial forms of philanthropy, building upon traditional volunteerism to release business acumen and access to networks that is akin to angel investing in the commercial world. We have by and large avoided much of what is termed 'corporate social responsibility' (CSR) in the study. This is not to undervalue the importance of CSR in Asia, but to recognise that it is a distinct area of study, beyond our immediate interests. We have included examples of how young, entrepreneurial businesses in Asia have developed to imbed philanthropy into their organisation, where the founding principals are still involved in shaping the values and social responsibilities of the business.

We are aware that philanthropy is not a 21st century phenomenon. There are complex forces at play that shape modern expressions of giving in Asia. The historical, cultural, religious and political dimensions to philanthropy are rich and diverse and any detailed consideration of them is beyond the scope of this study. It is highly likely that such profound factors influence the shape and direction of giving across Asian countries. However, in our globalised world, high end donors and professionally-managed philanthropic funds are as likely to be influenced by the practices of American foundations, attendance at major international events like the Skoll World Forum or the business practices of the private equity community, as by local tradition and belief. The study quite deliberately emphasises indigenous expressions of philanthropy, by Asians or outsiders who have built their professional and personal lives in the region. The intersection between local and global is the Diaspora, who through their travels are exposed to norms and practices they can import and

adapt into their home contexts. As philanthropy practices in Asia mature and are tested and impact evaluated, what is learned will feed back into more mature markets in Europe and the U.S., through the innovative process of adoption, adaptation and refinement. One such example is the 'giving circle' model, pioneered in the U.S. by SVP International and others, and introduced into several Asian countries. The Dasra Giving Circles in India have innovated beyond the U.S. models and their experiences offer learning potential for Western groups.

For the purpose of our study, our definition of 'Asia' is that adopted by ACSEP, comprising 34 nations and special administrative regions³. To include even some detail on many of these countries would require a much more substantive and costly effort, so we have limited ourselves to a smaller subset of countries. Given our limited scope, it is understandable that we have not investigated countries such as Kazakhstan, Laos or Afghanistan. We have largely focused our attention on India, Singapore, Greater China and Japan. We are, however, very conscious that in the coming decades there will be innovations of note arising in other countries of ASEAN and South Asia.

This is not a rigorous, academic study of philanthropy in Asia, which would require time and human resources not available to us, or appropriate for the nature of this publication. Such studies are very much needed, and are currently thin on the ground. We hope that our modest contribution to exploring the trajectory of Asian philanthropy will encourage academic investigation, particularly collaborative efforts by research groups across the region. In 2011 and 2012 there were a number of timely, influential studies and

articles published in the area of Asian philanthropy, which we acknowledge but do not seek to duplicate here. The UBS - INSEAD study on *Family Philanthropy in Asia* (Mahmood and Santos, 2011) is an important first step in understanding the role of family culture and values that influence expression of philanthropy in a region where the family-owned business is the engine of economic development. The *Economist's* "Something's Gotta Give: The State of Philanthropy in Asia" has stimulated an interest amongst a wider readership (*Economist*, 2011). *Money for Good: Global Trends and Local Potentials in Engaged Giving and Social Investing* is a thorough review of venture philanthropy from the Hong Kong perspective (Yuen, Ngai, Kan, and Yeung, 2011) by a practitioner fund. In Mainland China, the dissemination efforts of the newly established China Foundation Center have been invaluable, as are the regular updates of China Development Brief website and the growing band of philanthropy bloggers inside China.

One factor in understanding why there is very little published academic work on Asian philanthropy is the lack of quantitative and qualitative data on philanthropy as an industry. In established philanthropy markets, particularly the U.S. and a few countries of Western Europe, there is a relatively

³ For the purposes of this series we consider 'Asia' to be: North Asia (with a particular focus on Greater China, South Korea and Japan), the ASEAN grouping (with particular focus on Singapore, Malaysia, Thailand, Vietnam, the Philippines and Cambodia), South Asia (with a particular focus on India and Bangladesh, including Pakistan) together with Australasia (with a particular emphasis on Australia and New Zealand).

high public disclosure of foundation annual accounts. Industry bodies such as the Council on Foundations, the Foundation Center and the European Foundation Centre regularly aggregate industry data, which encourages independent analysis. Regulatory and independent websites contribute to making data available publically. Such regulatory requirements and public disclosure vehicles are much less common in Asia, although there are encouraging examples of movement towards greater transparency. Philanthropy is a story that should be told. Too often it is not, or is partially told to reveal only cases of success and not the lessons of failure. Discussions about philanthropy data, even when available, seldom get beyond inputs and outputs, rather than the outcomes of philanthropic interventions. Reporting of outcomes is a complex, but essential part of maturing a philanthropic sector. The emphasis becomes achievement, not just the dispersal of funds. Asia has relatively poor philanthropy networks, either country-based or regional. Stronger networks and support organisations would enhance the sector's self-learning capability and appetite for collaboration.

We have chosen to use the word 'innovation' in the title of our study. The intention is to emphasise what appears to be new, exciting and dynamic in the field of Asian philanthropy, as a device to stimulate discussion and debate. Given the constraints of the scope of our study, we have chosen to use short, anecdotal profiles throughout the narrative.

These are essentially stories about organisations, linked to the people who founded or run them. It is a deliberate personal touch that we hope makes the text more engaging and relevant to readers.

Methodology

This study employs an essentially qualitative methodology. We conducted 40 face-to-face and telephone interviews in Singapore, India, China, Japan, the Philippines and Thailand between March and November 2012. We choose in depth interviews as the central component of the study to gain insight into the personal motivations of lead individuals who had founded or who are managing philanthropy organisations. The majority of interviews were conducted in English and were semi-structured (using an interview script but allowing flexibility for free-flowing conversation). Two interviews were conducted in Japanese and the profiles translated into English. Interviews typically lasted 45 – 90 minutes and were recorded with permission and written transcriptions prepared professionally. The interviewee was emailed in advance, outlining the nature of the study and the reasons why we had requested an interview. It was made clear during this initial contact that the researchers would draft a profile based on the interview, which would be emailed to the interviewee for any corrections or comments. Once a draft was agreed with the interviewee, we requested the individual to formally 'release' the profile for inclusion in the study. A small number of interviews were conducted by telephone, where a meeting could not be secured.

We carried out a review of literature and websites to obtain general data on philanthropy and organisations that were not part of our interview process.

Audience

We have written this report with a wide audience in mind. We hope it will be read by philanthropists (in Asia

or with an interest in investing in Asia; at all stages of their 'journey'), those engaged professionally in philanthropy and wider social investment (foundation and fund managers, as well as advisors). We also hope it will stimulate the interest of researchers who might address the dearth of quantitative and qualitative data on philanthropy in Asia, and contribute to a deeper understanding of the contribution it can make to human development in the region. Just as entrepreneurship and commercial finance are taught in business schools across Asia, we hope too that our publication will contribute to stimulating interest in social entrepreneurship and social finance being more than peripheral topics in a well-rounded business education.

At the end of each chapter we have made a number of recommendations with this diverse readership in mind.





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Data and Trends in Asian Philanthropy

The Data Problem

The biggest pitfall in describing trends in Asian philanthropy is that “no philanthropy statistics exist for the region as a whole,” Rory Francisco-Tolentino, former CEO of the Asia Pacific Philanthropy Consortium (APPC), reminds us (Francisco-Tolentino, 2010). This makes comparisons between Asian countries and developed philanthropy markets, like the U.S. and U.K., virtually impossible, with any degree of real confidence. In countries where data is collected, it is usually inconsistent with what is collected in other countries, and relies on proxies such as giving linked-to-tax incentives, which does not track informal and unrecorded gifts made without tax deductibility. Informal giving throughout Asia is likely to be a significant proportion of total private philanthropy, especially gifts to religious organisations and causes related to ancestral communities. In contrast, North American and European giving is more formalised, recorded, linked-to-tax authority reporting and made through a well-established infrastructure of organisations that manage charitable donations.

Singapore is a highly-regulated environment for non-profits and private foundations, and considered a relatively mature market for philanthropy. Even so, Singapore illustrates the issues arising from data scarcity. Individuals and corporations can only gain tax relief on donations made to Institutions of Public Character (IPCs), which represent approximately 27 percent of all non-profit organisations, religious institutions and educational establishments registered in Singapore and receiving public donations. In 2010, the latest year for which figures are available, giving to IPCs and estimated total giving is contained in the following Table.

Donations in Singapore 2010	US\$ m
Individual Donations to IPCs (measured through tax receipts)	209
Estimated Individual Donations to all non-profit organisations (religious, non-religious and IPCs)	828

So in 2010, individuals utilising tax deductibility donated \$209 million to IPCs. The National Volunteer and Philanthropy Centre estimated total philanthropic giving in Singapore, through surveys, to be \$828 million. The percentage of formal giving (captured through taxation statistics) and informal giving (estimated through surveys) is highly variable across countries in both developed and under-developed philanthropy markets. For this reason, reports that compare, for example, giving as a percentage of GDP should carefully specify whether their basis is formal or informal giving, and the margin of error on figures obtained through surveys.

With such diffuse and inconsistent primary data, researchers and commentators rely more on anecdotes about giving, through using ‘rich lists’ and surveys of variable rigour to tease out trends in Asian philanthropy. The most comprehensive global survey on philanthropy is the *World Giving Index* published annually by Charities Aid Foundation, which is based on Gallop’s *World View World Poll* of 153 countries. In most countries data is collected from a questionnaire sent to at least 1,000 representative individuals aged over 15 living in urban and rural areas. The three primary questionnaire metrics are about donating money, volunteering time and the frequency of “helping a stranger.” The CAF reports are graphically attractive and successful in attracting newspaper headlines (“The world is becoming more charitable,” or that

Asia is responsible for the worldwide growth in “helping a stranger”), but probably shed little light on real trends for giving and volunteering, and such polls usually have significant margins of error.

In our literature survey we found several quasi-scientific quantitative studies that, while unlikely to bear rigorous academic scrutiny, become widely reported, with findings subsequently quoted in later reports without critical appraisal. Barclays Wealth white paper based on a study of “2,000 millionaires across the world” carried out by Ledbury Research (Barclays, 2010), does not offer sufficient methodological insight (apart from the quote above) to assess whether the key findings are relevant or credible. So while it is superficially interesting to be told that 41 percent of American millionaires consider charity is one of their top three spending priorities, and that this figure is 28 percent in Taiwan, 26 percent in India and 23 percent in Singapore, it is not in any meaningful sense a finding that can be independently verified. This author admits to quoting such research findings in his own work, and this is no doubt a common practice, which tends to perpetuate poor data analysis. In India, Bain & Company has been, since 2010, publishing an annual report on philanthropy in India (Sheth, 2012). This is welcomed as the first major initiative to map philanthropic trends amongst wealthy individuals in Asia’s second largest population. Bain’s approach relies on a survey of wealthy

individuals. Most recently, in 2012, this involved a poll of 398 individuals in four cities. The sample comprised approximately 60 percent of HNWIs (investable assets greater than \$1.1 million, excluding primary residence, collectables and other consumer durables) and the remainder emerging HNWIs (with investable assets between \$0.4 million and \$1.1 million). Bain's 2011 study polled a different group (300 wealthy individuals of which "nearly 100" were HNWIs) and is used to draw comparisons to the findings reported in 2012. It is probably ambitious to draw too many firm conclusions about trends in giving from two polls, using different samples over two consecutive years, although most of Bain's headline findings are comparatives. Conclusions such as "young donors are more likely to increase donations in coming years" are certainly not counter-intuitive and offer little radical insight.

The 2010 study by UBS and INSEAD on family philanthropy in Asia provides an in-depth analysis of 203 questionnaires (in six languages) and over 100 interviews with philanthropists, philanthropy professionals and non-profit leaders (Mahmood et al, 2011). The survey covered ten Asian countries; although it is not clear from the report how the 203 respondents are classified by wealth category or country. The authors admit to several "considerable challenges" in collecting data consistently from the sample: families had not systematically collated information regarding their philanthropic activities; data on philanthropic contributions was intermingled with data on activities relating to corporate social responsibility activities; some families were compelled by a strong cultural disposition to maintain the confidentiality of their philanthropic activities; and other families expressed concern regarding

unwarranted governmental scrutiny of their philanthropic activities. The UBS-INSEAD report quotes the observations of Lalitha Vaidyanathan and Nidhi Reddy from FSG Social Impact Consultants and the Indian School of Business, whose collaborative study on the effectiveness of Indian philanthropy notes three significant challenges in the systematic research of India's philanthropic sector. First, fragmentation in large long-established family business houses means that very often the younger generation are giving in ways that is significantly different from the established family foundations. Second, the older generation of philanthropists were reluctant to speak about the personal giving (as opposed to giving through their Trusts). Third, fungibility of giving by company owners and their businesses meant it was difficult to separate giving that originated from the owners and the company's CSR activities. Their conclusion is that for Indian philanthropy to be more effective, philanthropists need to be more comfortable sharing their experiences of success and failure; as well as quantitative data about the amount of giving.

We would echo this call for greater openness about giving by wealthy individuals in Asia. There needs to be new opportunities for developing philanthropic leadership in Asia and networks that foster peer learning and collaboration. We also see a role for philanthropy in funding rigorous academic research on giving in Asia. Multi-country, long term, longitudinal studies are expensive, but necessary in taking the quantitative analysis of giving to a new level of robustness and credibility.

The country profiles in Appendix 1 summarise the headline statistics

and trends in a number of major philanthropy markets in Asia. The figures used are based on published data and are qualified by our comments above concerning the pitfalls of current data collection.

Wealth Creation and Philanthropy on Asia

The most common proxy for philanthropy growth in Asia is wealth creation, on the assumption that as a nation becomes wealthier and the number of very wealthy individuals grows, there is a dividend for philanthropy. As we've seen in the preceding section, measuring the growth of charitable giving (either generally or amongst the wealthy) is fraught with challenges, whereas there is far more reliable year-on-year data on overall rise in wealth in the region. The Capgemini RBC Wealth Management World Wealth Report for 2012 (Capgemini & RBC, 2012) reveals that while there has been a 1.7 percent decrease in global investable wealth in 2011, there has been a small rise in the total number of HNWIs to 11 million individuals. For the first time, Asia Pacific is home to the largest population of HNWIs of any region, resulting from a 1.6 percent expansion from 2010 to 3.37 million in 2011 (Europe has 3.2 million, North America, 3.35 million, with Latin America, Africa and the Middle East the remaining 1.1 million). Total HNWI wealth held by Asians in 2011 stood at \$10.7 trillion, roughly on par with Europe and slightly below North America's \$11.4 trillion.

Japan accounted for 54.1 percent of the region's wealthy in 2011, China for 16.7 percent, and Australia for 5.3 percent. Asia Pacific accounted for 14 of the top 20 fastest growing HNWI populations in the world in 2009, and eight of the

top 20 in 2010. In 2011, Asia Pacific accounted for seven of the top. The number of HNWLs in Indonesia jumped 23.8 percent in 2010, and rose another 8.2 percent in 2011. The 2010 and 2011 gains were 16.0 percent and 12.8 percent respectively in Thailand, and 12.0 percent and 5.2 percent in China.

Around half of Asia's HNWI wealth is held by "millionaires next door" (having disposable wealth between \$1 million - \$5 million), and while only 0.6 percent of the total are ultra HNWLs (holding disposable assets greater than \$30 million), they account for nearly a quarter of total wealth. Capgemini RBC predict that the region's economic fundamentals will remain robust in 2012 and beyond, despite global contagion, weak export markets, inflation and poor real estate markets. China and India are likely to remain the fastest-growing global economies, with China's GDP forecast to grow by 8.5 percent in 2013, and India by 7.4 percent. Asians occupy five of the top 30 places in the Forbes global billionaire Rich List. These are all hugely impressive wealth statistics.

As Dennis Cheek reminds us in *New Wealth in Asia – a Cause for Rejoicing?* (Cheek, 2012), this remarkable growth in wealth should be balanced by the

fact that, when measured in terms of "wealth per adult", Asia only finds itself ahead of Africa in continental comparisons. Nearly half of Asia's 3.26 billion people live on the survival threshold of \$2 a day, despite regional economic growth (mostly in China) lifting hundreds of millions out of extreme poverty. The Asian Development Bank predicts that the number of poor will increase in nearly a half of its 25 developing country member states since the 2008 financial crisis. The high rates of economic growth enjoyed by rapidly industrialising Asian economies have an environmental legacy, as well as widening a socially destabilising gap between rich and poor. Asia is about wealth and poverty.

Wealth creation is only a crude proxy for philanthropy in Asia. There is no guarantee that the Golden Age of Philanthropy predicted in Western nations, as wealth generated by the baby-boomer generation is gifted to charity rather than inherited by family will be true for Asia (Havens and Schervish, 1999). In much of Asia, wealth is a new experience for individuals and families, whose main occupation is financial security for the wider family and the next generation. Public announcements that a fortune will be given away rather than passed to children, as made by Chinese property billionaire Yu Pengnian, are extremely rare in Asia⁴.

It is reasonable to assume that as more citizens in Asia grow wealthy, that philanthropy will become an increasing component of spending. The challenge for Asia is not just to increase the volume of giving by the wealthy, but to make giving smart. Asians have a legacy of 100 years of Western philanthropy to learn from - some good, some bad and some indifferent. Over the last 20 years, Western philanthropy has

been through an accelerated period of change and evolution. Old money is being replaced by the new wealth of self-made entrepreneurs who want to be actively involved in their giving; philanthropy has become a business sector like any other, focused on impact and outcomes; there are new financial tools and a paradigm shift from donating to investing. Asian philanthropists can rise to the social and environmental challenges in their region through a commitment to innovations that can make philanthropy in Asia a major force for public good.

Philanthropic Motivation and the Influence of Family, Culture and Religion in Asian Philanthropy

Before exploring the broad themes of our study in the next chapter, we offer a brief word about the underlying motivations that lead to the act of giving. The mechanics of philanthropy serve the underlying personal motivations that move individuals to share their wealth for the common good. Most studies on philanthropy motivation cite the most influential factors in charitable giving as family, faith, social responsibility, community, life change and connection with a cause⁵. Growing up in a family environment where charitable giving is openly discussed and practised can be a childhood influence that stays right through life. Darius Yuen, founder of SOW Asia pays tribute to his father's influence on him as a child about the need to give generously in an unequal world, as we see in the profile in Chapter 4. Asia is a melting pot of the world's great religions. In the 2002 report on Asian philanthropy published by Asian Development Bank-APPC, the authors note that the region is "is home to several of the world's major

⁴ There are a number of press reports, for example, see Olivia Chung, "Hotelier makes room for charity," *Asia Times Online*, May 2010.

⁵ For example see: (1) (John, Davies and Mitchell, 2007) *Policy Exchange report concerning motivation in the financial services community*. Also (2) the academic work of Paul Schervish, (Havens and Schervish, 1999); and (3) interview-led research in the U.K., (Lloyd, 2004).

religions - Islam, Hinduism, Buddhism and Christianity - much of philanthropic giving traces its roots to religious concepts of merit-making, almsgiving and performing charitable acts," that has "contributed much to the growth of philanthropy in the region over the last few centuries". Several of those we interviewed came from a variety of faith traditions and actively sought to integrate the religious, entrepreneurial and philanthropic dimensions of their lives (Quebral and Terol, 2002). A sense of social responsibility, whether motivated by religion or secular humanism, is most often articulated as "giving back" to society. This may come from a sense of privilege (earned or inherited) or enlightened self-interest (the social instability that comes from great disparities of wealth in society). Immigrants, who have become financially successful may direct their giving towards their place of origin, as is seen for example by Hong Kong families who generations before had moved from China to establish businesses. The unusual and almost unique context of modern China has given rise to philanthropic initiatives whose origins have been influenced by the Cultural Revolution⁶.

A deepening involvement in philanthropy can come as a result of changes in life circumstances. These may be gradual such as when approaching retirement from an active business life and being able to give more time to charitable activity. They may result from a business event like 'cashing out' as the owner of a successful enterprise. Sometimes a life-threatening event such as illness or trauma has spurred on a greater desire to be more intentional in giving. Chinese movie star Jet Li, and his family narrowly escaped the 2004 Tsunami while on holiday in the Maldives, an

incident that led him to create the Jet Li One Foundation. Philanthropy at its most powerful connects both head and heart. As 'love of humankind', it is fundamentally an empathetic, emotional activity, guided and informed by factors internally and externally. It is also a reasoned activity that engages intellect. Keeping both in balance is fulfilling for the philanthropist. Emotional engagement can originate from many life experiences, such as family illness, personal loss or empathy with the lives of others less fortunate. Wang Ping visited a poor, rural area in China with her daughter to assist with scholarships, but was then motivated to establish a foundation to foster sustainable economic development. Her consulting and legal background informed the way she would go on to develop YouChange, as we will see in Chapter 5.


The UBS-INSEAD study on family philanthropy in Asia is the most recent and comprehensive to examine the factors that influence the motivation and direction of giving within the extended Asian family unit. The study notes that the Asian families tend to be "large, complex and closely integrated. The family often constitutes the locus for political, social, business and philanthropic orientation of individual members". Their survey, which took place across ten Asian countries, pointed to specific family-related values that drive philanthropy: family legacy, tradition and values; educating the next generation and strengthening family bonds; and particular causes close to family members. As expected, older family members are more influenced by local community and tradition, while the younger generation expand their philanthropic horizons internationally and beyond the traditional giving priorities of the

past. The study also reveals that the new generation are more concerned with a strategic, outcome orientation for the family's giving, a trend we will come to in Chapters 4 and 5.

Affiliation – community, country and ethnicity – is seen as critical in understanding the scope and direction of giving. This sense of kinship and mutual aid is common across many Asian countries (Quebral and Terol, 2002), expressed in Indonesia and Malaysia as *Gotong Royong*, in Nepal as *Muthi Daan* and Maori communities as *Aroha* and *Mana*. Ancient cultural values are further influenced by Asia's melting pot of major world religions – Islam, Hinduism, Buddhism, Confucianism and Christianity – all of which have strong teaching and directives on generosity towards the disadvantaged and the need for volunteerism.

The lukewarm reception given to the Giving Pledge roadshows in China and India is understandable in an Asian context. The Giving Pledge is a highly public invitation, initiated by Bill Gates and Warren Buffet, to the wealthiest individuals and families in America to donate the majority of their wealth to philanthropy. Focused on billionaires resident in the U.S., the list standing at 94 signatories in January 2013, includes three families of Asian origin. When Bill Gates and Warren Buffet travelled to Asia in 2010, the Giving Pledge events were not well attended by wealthy individuals in either India or China. It was

⁶ Although not profiled here, the Amity Foundation, founded in Nanjing, China in the mid 1980s, was a Chinese Christian response to the Cultural Revolution and has become one of the most respected public foundations in China today.



almost certainly a misreading of culture to assume that a public conversation about giving, which would readily take place in America, could be transported to a region where there is not the same level of public understanding of giving, and where wealth is not so openly acknowledged. Volatile political environments and potential scrutiny by tax authorities in several Asian countries do not encourage people to have a highly public discussion about personal wealth and philanthropy.

Secrecy about wealth and giving is not, however, universal, and will change as philanthropy becomes more globalised. Several Asian philanthropists have for decades been open about their giving and philanthropic intentions. Li Ka-shing, Hong Kong wealthiest businessman, (9th on the Forbes 2012 Rich List with a net worth of \$25.5 billion) has stated he plans to give one third of his wealth to his own charitable foundation, which he calls “my third son” and which has been active since 1980. Azim Premji, founder of India’s largest IT company, has pledged over a billion dollars to education in India. Jet Li, Chinese movie star has leveraged his celebrity and wealth to promote his One Foundation in China, and is a

very public advocate of giving by the general public and wealthy individuals.

This bedrock of culture today influences a new generation of globally educated and aware Asians, many of whom are the new wealth creators of Asia, whose entrepreneurially directed philanthropy, and sense of global citizenship will set a new agenda for the region’s giving in the 21st century.

Recommendations

- We recommend increased funding from private philanthropy for long term, academically rigorous, quantitative and qualitative research to map philanthropy in Asia, so that today’s philanthropists and policy makers are better informed and equipped.
- We recommend that associations, networks and advisors that provide services to family businesses in Asia more actively promote philanthropy as a family-based pursuit.
- We recommend that philanthropists in Asia exercise leadership by initiating a culturally appropriate equivalent of the Giving Pledge.





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Innovation in Philanthropy

We have chosen to look at philanthropy in Asia through the lens of innovation. This approach has its pitfalls, but we believe it is compelling and important because the purpose of innovation is to create value, a key imperative for philanthropy, as we shall explore below. Innovation derives from the Latin word *innovatus* meaning “to renew or change.” Hardly any area of life is immune to the word ‘innovation’ and the drive to innovate. It seems that every business or corporation speaks of innovation in its mission statements (Siemens: Innovation is our Lifeblood; Virgin Group: Virgin stands for value for money, quality, innovation, fun and a sense of competitive challenge). The private bank linked to the commissioning of this paper, states that its commitment to innovation, culture, and sustainable development projects underscores its future-oriented approach and its ambition to pass on a new and enriched heritage to future generations⁷. NUS Business School has an entire interdisciplinary unit focused on innovation (RISE - The Research Program on Innovation Strategy and Entrepreneurship). Product advertisements, politicians and historians use the word to help us part from our money or our votes, or to understand the way it has shaped the development of nations. As business writer Steve Denning points out, “the business reality of today is that the only safe place against raging innovation is to join it.”

We have long been exposed to the narrative about why innovation is key to success in the commercial world. Karl Marx considered innovation in manufacturing as the “flywheel of capitalism.” Steve Jobs, co-founder of Apple thought that “innovation distinguishes between a

leader and a follower”. Hundreds of management self-help books today tell us why innovation is important and how to do it.

Bessant and Tidd remind us that, while innovation matters, it “doesn’t happen automatically. It is driven by entrepreneurship – a potent mixture of vision, passion, energy, enthusiasm, insight, judgment and plain hard work which enables good ideas to become a reality” (Bessant and Tidd, 2011). The link to entrepreneurship was introduced by Peter Drucker in his 1985 thesis on management theory, where innovation is described as the “specific tool of entrepreneurs...by which they exploit change as an opportunity...” More recently, there is quite rightly more recognition that innovation happens outside the business world – in the public and social sectors. These sectors, too, have their entrepreneurs and intrapreneurs (change agents operating within existing organisations) who pursue innovative change across all stages of organisational life cycle - whether in new organisations, growing or established ones. The rise of social entrepreneurship is a truly global phenomenon with far-reaching implications for the way social problems are seen and solved.

So if innovation is driven by entrepreneurs, what is its purpose? The economist Schumpeter interprets innovation as a cyclical process of “creative destruction” where old ideas, models and rules are destroyed while new ones are established in the search for profitability. Bessant and Tidd strongly suggest that creating value is the underlying purpose for innovation. Turning to philanthropy, Porter and Kramer in their 1999 Harvard Business Review article (Porter and Kramer, 1999) framed the new agenda for grant-making foundations to be value creators, not passive intermediaries

between individual donors and the non-profits or social enterprises that receive their funding. The authors argue that private foundations are to be free from political interference, have long time horizons, professional management and the scale to be leaders in social progress. This is achieved by a careful selection of the most promising grantees; signalling these to other donors to attract additional resources; improving the capacity of grantees by the addition of non-financial services; and by advancing the state of knowledge across the sector. So, there is an imperative for private philanthropy to create value through its operations. Continuous innovation is a key to this value creation. Innovation is a process that is extended, extensive and managed, and by which ideas and insights become workable realities. These realities may be new products and services, new ways of delivering them or by suggesting a new paradigm where a radical reframing of a whole industry takes place. As Bill Drayton, founder of Ashoka has stated, “Social Entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionised the fishing industry.”

In an environment where innovation is unquestioningly seen as obligatory, it is wise to take a more balanced approach. In a provocative article in the Stanford Social Innovation Review (that word ‘innovation’ again!), Seelos and Mair (2012) argue that innovation is not the Holy Grail of social sector progress. While their analysis is largely focused on innovation in operational, non-profit service delivery organisations, rather than philanthropy, their call that “it is time to move from innovation as an ideology to innovation as a process” is also applicable to philanthropy. They warn that the over promotion of new solutions and new initiatives by new organisations risks ignoring the continuous improvements

⁷ Lombard Odier website, www.lombardodier.com, September 2012.

made by established ones. This is especially true in the U.S. and Europe where incumbent philanthropic organisations, such as grant-making foundations, have existed for many decades and compete with fashionable new ideas and small initiatives. It is perhaps less relevant in most of Asia, where modern philanthropy is less established and incumbents few and far between. The goal is better philanthropy. This may be achieved because of new philanthropic organisations, models and tools. It may also be achieved because existing organisations are committed to a culture of continuous improvement, learning and open sharing.

Stimulating Innovation in Philanthropy

If entrepreneurs and intrapreneurs are the primary agents of innovation, what factors stimulate the innovation journey in philanthropy? Just as commercial entrepreneurs react to internal and external factors, we view the stimuli

for philanthropic innovation to be broadly themed around interconnected frustrations and opportunities as summarised in the following table.

Many of the organisations and individual philanthropists profiled in the following chapters illustrate the complex interplay of these drivers for innovation.

Frustration

The early U.S. venture philanthropists in Silicon Valley during the 1990s voiced a frustration with what they perceived as the failure of traditional philanthropy, which stimulated them to adapt the tools of venture capital for their own giving strategies, and led to the movement in venture philanthropy. There is a deep intuition by philanthropists with commercial backgrounds that non-profit organisations need the same kind of early stage nurturing and strategies to growth offered to commercial companies by venture

capital firms. Frustration with his experience of traditional, passive forms of giving, gave impetus to real estate entrepreneur, William Schoenfeld to experiment with investing in the social ventures of Chinese entrepreneurs (Transist profile).

As individual philanthropists and foundations became more experienced and sophisticated, they recognised the need to address root causes of social issues, not merely to treat the symptoms. Given the scarcity of philanthropic resources, they realised that philanthropy should be a form of risk capital that was used to fund innovation and proof of concept, rather than continuously underwrite programmes that did not address underlying issues with a compelling theory of change. The approach taken by Dasra in mobilising philanthropists through giving circles starts with research to understand underlying causes of complex issues like educational underachievement in Mumbai's public schools (Dasra profile).

Philanthrocapitalism was coined to articulate philanthropy's challenge since the industrial revolution – to utilise business acumen in pursuit of the common good. In setting up SOW Asia, investment banker, Darius Yuen, was convinced that he could offer his professional skills in the service of social enterprises (SOW Asia profile).

Philanthropy that lives in a silo, that is single-issue and isolated, will not be effective in a world that is complex and interrelated. Singular interventions seldom create sustained, beneficial impact. Today philanthropy must be connected, collaborative and globalised, as we see in Lien Foundation profile.

Table : Stimuli for Innovation in Philanthropy

Frustration	Opportunity
<ul style="list-style-type: none"> • Discontent with the status quo in philanthropy. • Desire for greater sustained social impact. • Awareness that resources are used inefficiently. • A disconnect between business and philanthropy sectors. • Social issues are too complex for single interventions. 	<ul style="list-style-type: none"> • Philanthropy is a globalising sector. • Business entrepreneurs are creating wealth and are searching for models of philanthropy that have impact and connect with business approaches. • New generation of family-based philanthropists are reviewing traditional giving. • An increasing pool of professional talent seeking to volunteer. • Social entrepreneurship and hybrid organisational models are becoming mainstream offering philanthropy beyond grant making.

Opportunity

Despite Asian philanthropy being largely informed by local tradition, practice and culture, and localised in terms of spending, we live in a highly globalised world. Asian philanthropists are today easily exposed to practices abroad through travel and communications, and western practitioners show interest in helping philanthropy develop in Asia. Today's Asian philanthropist is likely to be a global citizen with professional and personal networks extending far beyond the region. An elite of ultra-wealthy businesspeople-turned-philanthropist have become globally, or at least regionally, recognised names. High profile events like the Skoll World Forum, the Global Philanthropy Forum and TED are attended in person or online by an international audience, with an increasing number being from Asia. Domestic philanthropy networks in Asia have had little impact over the last twenty years - with a few exceptions - but today's Asian philanthropist is likely to know about and participate in global networks like The Clinton Global Initiative, the Giving Pledge or Global Impact Investing Network (GIIN).

The majority of the profiles in this study feature people with commercial (often entrepreneurial) backgrounds, engaging deeply for the first time in philanthropy. They may have created wealth through building successful careers or businesses from scratch, or they may represent the new generation of a family with already established charitable interests. It is likely that business or education will have exposed these individuals to giving cultures and

philanthropy models in other parts of the world, notably the U.S. and Europe. Brought up in the U.S., Deval Sanghavi gained insight into how to develop philanthropy in India (Dasra profile). Wang Ping's daughter was studying in Stanford when she became exposed to social entrepreneurship, which later gave shape to the foundation her mother set up in China (YouChange profile). The collaborative giving circle that Hide Inoue witnessed in Seattle stimulated him to take the model to Tokyo (SVP Tokyo profile).

The founding entrepreneurs of Indian financial services company, Edelweiss. (EdelGive profile) and Hong Kong-based asset manager, ADM Capital, (ADM Capital Foundation profile) wanted to imbed a culture of innovative philanthropy into their companies. The venture philanthropy model each adopted in their philanthropy aligns with the values and methods on which their businesses were built. Successful business entrepreneurs, like Richard Chandler (see the Richard Chandler Corporation profile), have made Asia their homes; and in developing personal philanthropies, sought models that resonated with the entrepreneurial flair that built their business interests. Entrepreneurs can also shape established organisations from within and encourage a culture of innovation. Two Singapore business people who utilised their professional acumen and insights for the philanthropy sector are Tan Soo Nan, who moved from the venture capital industry to provide leadership for the government-linked Tote Board in Singapore (Tote Board profile), and Stanley Tan, who considers himself an entrepreneur equally at home in the commercial and social sectors and who chairs Community Foundation in Singapore (CFS profile).

The family business is the bedrock of Asian wealth creation, with commercial and philanthropic interest passing from generation to generation. Generational change can be the stimulus for reviewing and reframing a family's longstanding strategy for charitable giving. The Zuellig family built their healthcare business out of Manila and has developed fresh ways of expressing the family's social responsibility as the younger generation becomes more involved in philanthropy (Zuellig Family Foundation profile).

Business professionals in early or mid career are seldom in a position to donate large financial gifts but they do represent a pool of energy, commitment and expertise that can flow into non-profits and social enterprises. Social Ventures Hong Kong leverages such professional talent to offer support to the island's non-profit organisations (Social Ventures Hong Kong profile). Giving circles, which mobilise the wide-ranging talents of young professionals and concerned individuals, are springing up from India to Korea.

In many countries, the terms 'social entrepreneur' and 'social enterprise' are widely known and not restricted to those with a special interest in the social sector or philanthropy. Global social entrepreneur support groups, most notably Ashoka, have successfully made social entrepreneurship a recognisable activity, positioning the individuals as change makers who are at the forefront of social innovation⁸. Even hard-nosed commercial entrepreneurs, like George Soros, who may come from the position that business and giving should be kept compartmentalised, relent in the face of the compelling narrative of social entrepreneurship. Soros (2000)

⁸ For an overview of the rise of social entrepreneurship, see Dees, 2007.

admitted modifying his stance, “I used to be negative towards [social entrepreneurship] because of my innate aversion to mixing business with philanthropy. Experience has taught me that I was wrong. As a philanthropist, I saw a number of successful social enterprises, and I became engaged in some of them.” This movement is having a profound and widespread impact on philanthropy, challenging the established way of doing things and demanding innovation by established funders, plus encouraging a new generation of philanthropists into action. Social entrepreneurship is not synonymous with social enterprise, although the two terms are often used interchangeably. Social enterprises use a trading model for products or services in order to deliver a social impact, but such enterprises are only one tool that a social entrepreneur might use in finding an innovative solution to a social problem. Such solutions can be developed in large, established social organisations by intrapreneurs (as happens in the private sector with some large, commercial organisations), but as the economist Carl Schramm points out, “radical breakthroughs tend to be disproportionately developed and brought to market by a single individual or new firm” (Baumol, Litan, and Schramm, 2007). This new way of looking at the world of social problems through the eyes of social entrepreneurs, resonates with entrepreneurial philanthropists who themselves see opportunity when others see challenge. New hybrid models of social enterprise and bottom-of-the-pyramid businesses are offering philanthropists new opportunities to invest in social change as well as donating to charities. Chapter 4 illustrates the new world of impact investing with examples from around Asia.

Themes and Structure of the Report

In focusing specifically on contemporary innovation in Asian philanthropy, the study is framed in three interconnected themes:

1. Entrepreneurial Philanthropy

Philanthropy in Asia is responding to the needs of social entrepreneurs for the capital and business acumen needed to grow their ideas in quality and scale. We will see examples of venture philanthropy and impact investing funds that are evolving in the region, and the phenomenon of giving circles that have potential for encouraging business professionals and concerned individuals to begin their philanthropy journey.

2. Strategic philanthropy

For philanthropy to be both innovative and responsive, it does not have to practice the venture or impact investing models. Good grant-making is clear about what it wants to achieve: it is focused on outcomes, has an entrepreneurial spirit, engages heart and mind, is collaborative by nature, and flexible.

3. The Philanthropy Ecosystem

Philanthropy does not operate in isolation but in an ecosystem with diverse players and stakeholders. It is a marketplace for ideas, where the right capital and skills connect with the most promising solutions. To bring efficiencies to the ecosystem, we look at the role for information and research, for brokers and collaboratives, for networks and field builders, and for a supportive environment created by government and regulation.



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Entrepreneurial Philanthropy



In this chapter we explore how social entrepreneurship and philanthropy mutually support each other's development. The rise of entrepreneurial approaches to solving social and environmental problems, the availability of new hybrid forms of social organisation and the appearance of a new generation of entrepreneurial philanthropists create a perfect recipe for innovation. While these phenomena are broadly global, they are acting out with particular energy across Asia. We will see in our profiled organisations how models of entrepreneurial social finance are being expressed in Asia through newly formed venture philanthropy and impact investing funds. These organisations have been initiated by individuals from across the business spectrum – entrepreneurs (e.g. Richard Chandler Corporation, Transist Impact Labs), investment managers (e.g. EdelGive Foundation, ADM Capital Foundation) and financial services professionals (e.g. Insitor Fund, SOW Asia).

The chapter closes with a variation of the venture philanthropy and impact investing model, in what could become a major philanthropic force in Asia – collaborative giving and investing circles, with examples from India, Hong Kong and Japan.

The Rise of Social Entrepreneurship

The steadily growing global phenomenon of social entrepreneurship has caused one of the most significant shifts in philanthropy over the last fifty years. Social entrepreneurs and their associated ventures are challenging the old paradigm whereby the grant-making programmes of philanthropy organisations funded the project costs of charities through a reactive

application process. In the new paradigm, philanthropists ask “how can we best fulfil our mission objectives by responding to the innovations of social entrepreneurs?” The language, and underlying attitude has shifted from donation to investment (even when non-returnable grants are made) - a shift from subsidising charitable projects to investing in the development and resilience of organisations.

Social entrepreneurship and social enterprise are sometimes viewed as synonymous, and in a field where terminology is generally loose and inconsistent, this is not surprising. We view social entrepreneurship self-evidently as the realm of the social entrepreneur – an individual, suggests Besant and Tidd, (2007) “prepared to challenge and change, to take calculated risks and put energy and enthusiasm into the venture, picking up and enthusing supporters along the way. They are typically ambitious, mission driven, passionate, strategic (not just impulsive), resourceful, results oriented.” Such people operate in different segments of society – the private sector, the social sector and sometimes within government or public institutions. In contrast, social enterprise is an organisational form, thought of as a hybrid between traditional models of a private company and a charitable organisation, pursuing clearly articulated social impact objectives through the means of a model where goods or services are traded, and any profit or surpluses are reinvested rather than distributed to shareholders. Social entrepreneurs may choose to realise their innovations through a social enterprise, but they can also use the non-hybrid forms of commercial business or charitable non-profit. However, pressing too hard on definitions misses the point that

entrepreneurs (including the social kind) are essentially pragmatic and not ideological. Delivering their mission counts: organisational form is a means to that end.

Entrepreneurial Social Finance

The opportunities for innovation in philanthropy afforded by the rise of social entrepreneurship coalesce with a new generation of philanthropists, many of whom are entrepreneurs wanting to connect their business acumen to their aspirations for charitable giving. They are younger than their predecessors, wanting to give while still developing their careers, many wanting to engage actively rather than give passively. They often question the effectiveness of more traditional charitable giving and speak more readily of “impact” and “outcome.” Younger professionals, perhaps reflecting a broader re-evaluation of the nature of financial security, personal motivation and responsibility to society, want to engage in charitable work with their volunteered skills.

The reaction of philanthropy to social entrepreneurship bears some analogy to the way that angel investing and venture capital are responses of the commercial sector to entrepreneurship. Sir Ronald Cohen, whose experiences in the U.S. during the 1970s gave him the impetus to create the British venture capital industry, likens the relationship of entrepreneurship and venture capital as two, intertwining strands of DNA, each mutually supporting the growth of the other (Cohen, 2004). Without the innovation that entrepreneurs bring, there would be no compulsive reason for a venture capital industry; venture capital, with its hands-on, risk funding is a valuable resource for entrepreneurs who want to grow their companies.

Arguably there is a parallel analogy with social entrepreneurship and the models of philanthropy that invest in ambitious non-profits with a blend of finance and advice. In our previous paper in this series, we introduced the term 'entrepreneurial social finance' to capture an emerging number of finance models that seek to meet the needs of entrepreneurial non-profits and social enterprises in Asia (John, 2012). Entrepreneurial social finance is our umbrella term that identifies a number of practices often described by labels such as 'venture philanthropy,' 'enterprise philanthropy' and 'impact investing.' Exact definitions are elusive and anyway contested. Our interest in this paper is in expressions of philanthropy (where capital is deployed for primarily the purpose of creating social value) that are creative but pragmatic, and thus entrepreneurial in nature. For convenience of writing, we will refer to these generically as 'entrepreneurial philanthropy' unless referring to specific models such as impact investing or venture philanthropy.

Let us begin by looking at what practices best exemplify entrepreneurial philanthropy globally before turning to contemporary examples in Asia. In the complex and confusing world of social finance, where financial and human capital are invested in a wide range of organisations to create social value, a defining characteristic of entrepreneurial philanthropy is the value added to funding, through a high level of engagement with the organisations being supported. **Figure 1** illustrates the landscape of social finance, using the metrics of (i) degree of engagement and (ii) the kind of financial return anticipated. Venture philanthropists and impact investors engage actively with their investees, compared to traditional grant-making or the social investment

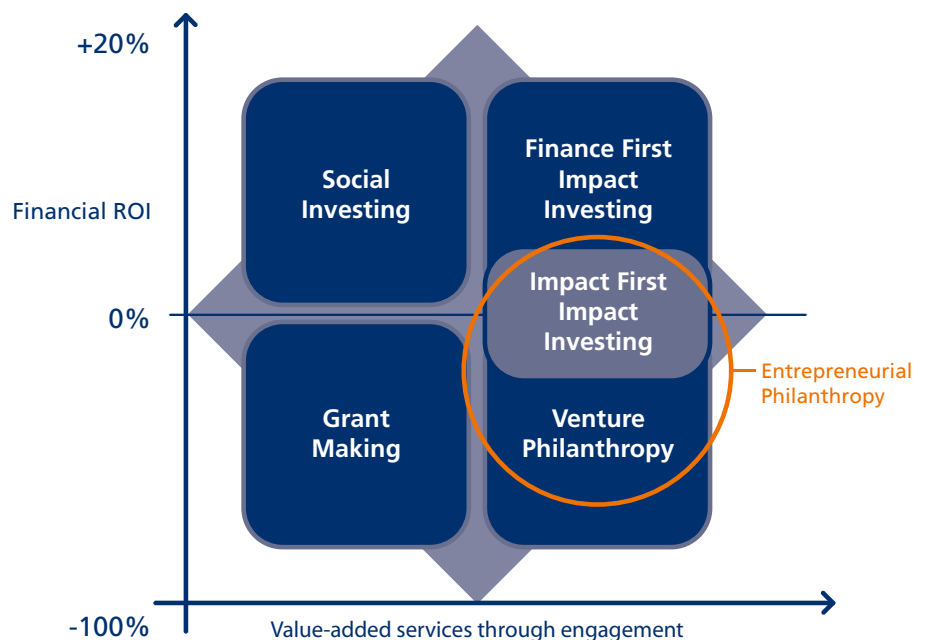
industry. Traditional grant-makers generally use non-returnable donations, and thus have a 100 percent return. The social investing quadrant houses Socially Responsible Investment (SRI) funds, which seek commercial levels of return on investment while targeting socially and environmentally positive businesses. Typically, venture philanthropy uses grants, but may also seek to recycle capital by using other tools, such as loans or devices such as quasi-equity. Impact investors would choose financing tools that at very least preserved capital, but preferably give modest, risk-adjusted rates of return to their investors. The impact investment community is broadly characterised as comprising 'impact-first' and 'finance-first' investors, terms used to express their relative priorities in blending social and financial return. Impact-first investors prefer to maximise the social or environmental impact of their investment, and to do so, be willing to cap any financial gains. They explore the +5% to -15% return on investment range. Finance-first investors are more

commercially driven investors who want to optimise their financial gain at the expense of social value created (+5% - +10% territory). Venture philanthropists and impact-first investors sit within our broad understanding of entrepreneurial philanthropy as they use their capital for primarily social purposes, and are in a position to put capital at relatively high risk. Such nuances can seem academic, it is however much needed; especially in a space that is highly experimental, comprising a wide range of investors and investees, all wrestling with the thorny issue of how social or environmental impact can be consistently measured or quantified.

The Characteristics of Entrepreneurial Philanthropy Models

In describing the venture philanthropy and impact investment model, most practitioners would agree on a set of general characteristics and operating principles (John, 2012).

Figure 1: The social finance landscape



1. Funding as Investment

Entrepreneurial philanthropists view their funding as achieving social impact through helping organisations improve their operations, so funding is an investment in the organisation rather than what would amount to purchasing services on behalf of beneficiaries. Viewing funding as an investment creates an investor-investee relationship where there is better alignment of common goals, greater shared accountability, and a deeper sense of true partnership.

2. Building capacity and infrastructure

A key focus of entrepreneurial philanthropy is on helping build stronger, more sustainable organisations. They expect their funds to be deployed on salaries, systems and infrastructure, rather than direct project costs. While many more traditional social sector funders will support capacity building as part of good grant-making, this is a core approach for entrepreneurial philanthropy.

3. Focus on Outcomes

Entrepreneurial philanthropists expect the organisations they support to create increased social impact from the capacity building they fund. They seek to pick 'winners' - organisations with the credible potential to scale up and deliver more benefit to society. To do this, they remain focused on longer-term outcomes, rather than short-term outputs and activities. Through an agreed strategic plan, systematic reporting and milestone-based funding, they hold the organisation to account for its operational performance and social impact generated. Much general

philanthropy has become more outcome orientated in the last decade.

4. An Engaged and Focused Relationship

Venture philanthropists and impact investors generally support a small portfolio of organisations at any one time, preferring a deeper engagement than might otherwise be possible with a large number. This characteristic lies at the heart of entrepreneurial philanthropy, distinguishing it from most traditional funding models. It is not unusual for a venture philanthropy or impact investment fund to accept one or more places on the board of the organisation, or attend board meetings as an observer, to add value in governance and strategy. This is not the normal practice of passive social sector funders like grant-makers.

5. Investing in the Entrepreneur

Just as a venture capital firm places considerable weight on the capabilities of a business entrepreneur and management team, so entrepreneurial philanthropists tend to weigh up a potential investment by the qualities of the social entrepreneur, the management team and the governing board, in addition to the credibility of the business plan. Unlike commercial investors holding equity, venture philanthropists do not have the power to interfere dramatically with the board's composition of decisions. Instead, they will provide the resources and encouragement to help nurture strong executives and boards.

6. A Robust Investment Process

All social sector funders have processes for evaluating on merit the organisations they choose to fund. Entrepreneurial philanthropists,

borrowing and adapting from the venture capital industry, articulate an investment process that would not look out of place in a commercial investment house. The EVPA's 'how-to' guide for European venture philanthropists summarises the process in a number of discrete steps (Balbo, Hehenberger, Mortell, and Oostlander, 2010).

a. Deal Flow

Like private equity firms, venture philanthropy and impact investment funds prefer a proactive approach to searching out investment opportunities, rather than adopting a reactive application process. A pipeline of potential deals is usually sourced from the fund's philanthropy networks, including referrals from like-minded funders.

b. Investment appraisal

This is typically a three-stage funnel process of primary screening, followed by detailed screening (sometimes called 'due diligence') leading to an investment proposal for the selected organisations. Due diligence may take several months and involve the fund contributing to refining the business plan, defining social impact objectives, assessing the management team and board, and the fund's potential financial and non-financial contributions. This is an intense and time-consuming phase, but shapes the relationship between investor and investee, which will probably have to survive the ups and downs of the business cycle in subsequent years.

c. Investment Decision

Following detailed appraisal, the fund and investee will sign an investment agreement, which summarises the financial transaction and obligations.

For equity investments this will follow the lines of the term sheet used by venture capital investors, spelling out share structure and voting rights where appropriate. The agreed business plan will set out how the investee will manage the enterprise and give financial projections and targets. The plan may also indicate the non-financial advice the fund is expected to contribute.

d. Portfolio Management

The on-going day-to-day relationship between funder and investee is what makes entrepreneurial philanthropy different from the traditional funding of grant-makers. Since portfolio managers have responsibility for only three or four organisations, they have a high level of real time knowledge about how each organisation is progressing. Nearly half of entrepreneurs surveyed in a Skoll Centre study on European venture philanthropy reported they had monthly contact with their portfolio managers, with a third of these meeting more frequently, up to several times a week (John, 2007). The portfolio manager will actively manage non-financial advisory and consulting through volunteer 'associates,' pro bono strategic partners such as professional service firms, or through paid consultants. The fund will regularly access the investee's progress as defined in the business plan, usually through monthly or quarterly reporting from the executive and by day-to-day contact. Tools such as Balanced Scorecard will be used to track organisational performance along financial and impact metrics.

e. Exit or Graduation

While the length of the investment period and projected cut-off point

will be openly discussed with the investee during the appraisal process, venture philanthropy investments will not have the kind of exit event common in the venture capital model e.g. an IPO or secondary purchase. The two parties map out the partnership through a multi-year business plan, with financial contributions by the fund usually performance-based and often tapering in size to avoid dependency. Since a central premise of venture philanthropy is to help build stronger and more resilient organisations, the investee should be able to weather the planned withdrawal of resources from the venture philanthropy fund. The investment in the organisation should have resulted in improved fundraising or earned income streams and a balance sheet that allows the organisation to climb to its next level of growth or development. While using commercial investment terminology such as 'exit' may capture the attention of entrepreneurial philanthropists, it can be misleading, and many funds speak of 'graduation' when an investee is no longer actively supported with funds and advice. Impact investors, if using equity as the means of their funding, have in principle the opportunity to exit in a more commercial way by selling their holding, although the liquidity of shares in social enterprises is a challenge for the sector, only partly being addressed by the emergence of share trading intermediaries.

TABLE 1 summarises the matrix of options open to entrepreneurial philanthropy practitioners in their choice of investees, tools and engagement, expected returns, and exit.

Table 1: The Options Matrix for Entrepreneurial Philanthropy

Investee type	Non-profit, charity: Reliant on grants and public fundraising for revenue	Social enterprise with subsidy: Grant/patient capital subsidy; any surpluses reinvested in business	Social enterprise without subsidy: Little or no grant subsidy; reinvests surpluses; capped returns to equity investors	Social business: Trading model to create social impact; distributes surpluses to investors and owners
Investee stage	Entrepreneur support: Personal financial/coaching support for social entrepreneurs	Start up, early stage	Growth, scale up	International scale up; M&A activity
Investment sector	Narrow focus (specialised: single sector e.g. health, exclusion, education, environment)	Broad focus (multi-sector; diverse portfolio)	Convenor (brings sector players together in collaboration)	
Financial tools	Grants: Mostly non-returnable but performance-based donations	Loans, underwriting, patient capital	Quasi-equity Possibly revenue participation	Equity
Return to investors	Only social impact (loss of capital)	High risk; looking for some capital preservation or recycling	Social-first impact investor (-15% to +5%)	Finance-first impact investor (+5% to +10%)
Non financial support	'Front loaded' – mostly help during pre-investment business planning	Ongoing support during whole period of investment	Support delivered in-house (staff, board, associates, partnerships)	Support outsourced to external consultants
Depth of engagement	Monthly contact with management team	Weekly contact with management team	Seat or observer on board	
Exit/ Graduation	No clear exit event; aspiration to disengage after agreed timescale	Agreed package of support with hard end date	VC type exit event such as secondary sale or IPO	

Origins & Expansion of Venture Philanthropy

The term 'venture philanthropy' is usually attributed to the American philanthropist, John D. Rockefeller III, who, before a U.S. Congressional committee in 1969, was describing the need for a more "adventurous" approach to funding unpopular social causes. Thirty years later it became popular shorthand used by New Economy philanthropists and academics who foresaw the need for a reformed, energised and more entrepreneurial culture of giving in the U.S. Christine Letts' 1997 Harvard Business Review paper offered the initial thought leadership for this movement (Letts, Ryan, and Grossmann, 1997). They argued the case for foundations using venture capital tools to invest in the capacity building, rather than the programmatic needs of social purpose organisations. Porter and Kramer further challenged foundations to create value in their grant-making, rather than just being a passive transferor of cash from private sources to grantees (Porter and Kramer, 1999). In the late 1990s, a rush of Silicon Valley's newly wealthy dot-com entrepreneurs became closely associated with the growing venture philanthropy movement, keen to apply commercial innovation to their grant-making. Paul Brainerd (founder of Aldus and Pagemaker) set up Social Venture Partners; Mario Marino (a technology entrepreneur) established Venture Philanthropy Partners; and George Roberts (of private equity firm KKR) experimented with supporting social enterprises through the Roberts Enterprise Development Fund. There are also examples of established grant-making foundations at this time which evaluated their long-term impact and refocused their operations to a venture philanthropy model (Bailin, 2003), The

U.S.-registered venture philanthropy fund, NESST, had been active in Latin America since the mid 1990s and went on to open operations in Eastern and Central Europe. It became a key organisation at marketing venture philanthropy in continental Europe, convening the first European venture philanthropy forum in Budapest in 2001. Three years later, the European Venture Philanthropy Association (EVPA) was established by individuals from the private equity industry, all philanthropists looking for a model of giving that was more effective and aligned with their professional expertise as investment experts. They initially conceived EVPA as an informal network to encourage philanthropy in the private equity community, but it quickly gained support from more traditional grant-makers, professional service firms, and the private equity industry bodies in Europe. By 2010 there were an estimated 48 venture philanthropy funds operating in 17 European countries. The EVPA's state-of-the-industry report in 2012 claimed that one billion Euros (\$1.3 billion) had been invested by entrepreneurial philanthropy funds in Europe since beginning their operations. The figure combines financial support and estimated value of non-financial services donated as an integral part of the investment process.

The Origins and Expansion of Impact Investing

Although the term 'impact investing' was only first coined in 2008, its rise has been meteoric and its global promotion well resourced. Pure philanthropy is always constrained, since donations are a one-way flow of capital. The promise of impact investing is to create social value by investing in socially-focused enterprises with sustainable business

models, which, when successful, preserve capital and even offer a return on investment. Returns are reinvested in new ventures, and create a virtuous cycle of socially-minded investment. While the term may be new, the practice is much older, and impact investing has its roots in Program Related Investment, a device pioneered by the Ford Foundation in 1968 that allowed endowed U.S. grant-making foundations to invest their corpus in support of quasi-commercial entities that potentially fulfil the foundation's charitable objectives. In 2009, the Global Impact Investing Network (GIIN) was launched by JP Morgan, Rockefeller Foundation and USAID as the impact investing movement's advocate. The same year, Monitor Institute published its report on "investing with social and environmental impact." Over the next three years followed several quantitative analyses predicting the astronomic potential of the impact investing market. The 2011 report from JP Morgan and GIIN estimated \$4 billion of potential impact investments for the following year and up to \$1 trillion in the coming decade (O'Donohoe, Leijonhufvnd, Bugg-Levine, & Brandenburg, 2010), a figure supported by Credit Suisse in 2012 (Clark, Emerson, Balandina, Katz, Milligan, Ruttman, and Trestad, 2012). Avantage Ventures (2011) estimates the potential demand for impact investing in Asia alone to be as much as \$74 billion in the 10 years to 2020. The second meeting of the Giving Pledge (the campaign by Bill Gates and Warren Buffett we saw in Chapter 2) in 2012 included a session on impact investing, which according to one participant so intrigued the

⁹ Reported in "Spreading Gospels of Wealth," *The Economist*, 19th May 2012.

meeting that a follow up session was convened⁹. For wealth creating, entrepreneurial philanthropists, venture philanthropy opened out a new world of opportunity where they need not abandon their business acumen when donating money to build stronger non-profits. Impact investing offered the same but more: a business-like approach to philanthropy where capital could be recovered or even enhanced by investing in social businesses. But the impact investment movement is not without its critics, who suggest that the stellar figures used to describe the market opportunity are inflated by the longstanding flow of funds into developing markets for industrial development, infrastructure and newer sectors such as clean technology. Even more distorting, argue researchers from Acumen Fund and Monitor Institute, is that a tiny fraction of impact investing capital flows to pioneering social enterprises whose innovations are aimed at serving the poorest (Dichter, Katz, Koh, and Karamchandani, 2013). Alto (2012) suggests that the real bottleneck in Asian impact investing will be the lack of early stage philanthropic funding and advisory services necessary for early stage social enterprises to become impact investment ready. We will return to this in Chapter 6 when we explore ways to foster a more robust pipeline of investable social enterprises.

Entrepreneurial Philanthropy Develops in Asia

With the modern practice of entrepreneurial philanthropy being such a recent phenomenon, it is perhaps surprising how much activity is apparent across Asia today, given that philanthropy in general is only just emerging in the region. There are no accurate data on the number of venture philanthropy and impacting

investing funds active in Asia, although our own mapping exercise in 2011 estimated 58 funds, with the largest numbers in India (22) and Hong Kong (11). These funds included several that were headquartered outside Asia, some of which had investments in several countries. The Asian Venture Philanthropy Network (AVPN) launched in 2012 now has 123 members. Of these, 42 are categorised as 'Practicing Members' (that is they qualify by virtue of "practicing either venture philanthropy or impact investing" in Asia. Twelve or so of these global funds are located outside Asia. So by this measure, 22 or so Asian entrepreneurial philanthropy funds have joined the AVPN. Since not all funds will become members of AVPN, this figure is a very conservative estimate of indigenous entrepreneurial philanthropy.

Venture Philanthropy

Entrepreneurs or financial service professionals founded the majority of the entrepreneurial funds we profile in this study. Two venture philanthropy funds formed independently, but around the same time, provide an insight into how entrepreneurs who grow highly successful companies seek to shape the philanthropy of their businesses. Edelweiss, headquartered in Mumbai, is an Indian financial services group with a well-recognised public profile. Founded by entrepreneurs, Rashesh Shah and Venkat Ramaswamy in 1995, the firm became a listed company in 2007. Vidya Shah, Edelweiss's Chief Financial Officer and wife of Rashesh, tells how she transformed the company's ad hoc giving into a well-structured venture philanthropy fund that would focus on supporting Indian social entrepreneurs pioneering solutions in the fields of education and livelihoods (See Profile: [EdelGive Foundation, p. 46](#)).

In the late 1990s three European expatriates founded ADM Capital, a Hong Kong-based investment management company. In 2005, at the peak of the company's success, the founders met Lisa Genasci, who at the time was working to improve the lives of street children in Cambodia. Lisa went on to help them launch the company's philanthropic foundation, which today applies a venture philanthropy approach in partnership with 28 non-profits across eight Asian countries (See Profile: [ADM Capital Foundation, p. 49](#)).

The founders of these two financial services companies thought it natural that their philanthropic activity would reflect the entrepreneurial spirit of the firms they had built from scratch. The move from casual, scattered support for good causes to a professionally managed vehicle was essential in order to maximise social impact and bring alignment with the parent companies. Edelweiss is a large company employing 2,900 professional staff across 144 Indian cities, so it has been possible to leverage this resource for the foundation's work and provide a platform for employee engagement. Given the two very contrasting social contexts of India and Hong Kong, it has been natural for ADM Capital Foundation to focus the bulk of its activities outside the island, while EdelGive's portfolio is domestic. Both foundations have been pioneers of venture philanthropy in their respective countries, and have realised the imperative to exhibit leadership in the field and promote giving within the professional networks of their parent companies.

Impact Investing

Richard Chandler and William Schoenfeld are entrepreneurs who independently created highly successful

businesses in the Asian real estate market. Chandler, a New Zealander, is now resident in Singapore, where his investment corporation is headquartered. Schoenfeld, founder, president and chairman of Asia Pacific Land, is a Hong Kong-based American who has spent most of his professional life in Asia. Each are noted philanthropists, who became attracted to the model of impact investing as a means of building successful and sustainable businesses that create social value.

Richard Chandler, entrepreneur and keen student of history, believed that for human potential to flourish, people needed to live healthy and educated lives in peace and security. Chandler's investment company makes commercial and impact investments, the latter's aim being to "transform health, education and leadership opportunities" - initially in South Asia. He found the experience of awarding grants to organisations he thought could yield transformation to be unsuccessful and frustrating. He shifted strategy and now directly builds businesses in eight Asian countries, to offer affordable healthcare and education **(See Profile: Richard Chandler Corporation, p. 52)**.

William Schoenfeld's longstanding association with Asia – he speaks Japanese and Mandarin fluently – and philanthropic endeavours in the region culminated in a point when merely being a 'cheque book' donor did not generate the sustained impact he was looking for. He felt that investment and entrepreneurship would be core to truly impactful philanthropy. After a period of experimentation, he now focuses on investing in technology-based social businesses in China **(See Profile: Transist Impact Labs, Shanghai, p. 54)**. Darius Yuen is a banker who survived the 2008 financial crisis in better shape than many

of his colleagues. He has thought deeply about his own personal motivations for giving. He acknowledges that his upbringing and the moral imperative of all the major world religions have shaped his values. His expertise as an investment banker gave him the tools he needed. Yuen launched SOW Asia in 2008 as a philanthropic fund that would seek commercially sustainable investments, at a time before the term 'impact investing' was widely known. Yuen's team at SOW Asia found it challenging to find suitable impact investments and many of the initial propositions were early stage ventures requiring grant donations **(See Profile: SOW Asia, p. 56)**.

The Cambodian impact investing fund, Insitor, was co-founded by two women with very different backgrounds but a shared passion for transformational social change in South East Asia. Maria Alessandra Foglia Solaro del Borgo grew up in a Swiss banking family. Micaela Ratini is an Italian who passed up promotion at Bain & Company's financial services practice to work in Cambodia. Maria Alessandra has long been involved in international non-profit development work, both with private philanthropy and Swiss government overseas aid, and admits becoming frustrated with grant-making dependency in development. In order to provide disciplined funding for promising social enterprises, the two women launched Insitor Fund, which now has investments in Cambodia, Laos, India, Vietnam and Myanmar **(See Profile: Insitor Fund, p. 58)**.

Two pioneering impact investors, in Cambodia and India, have been both active and successful long before the current wave of interest in impact investing over the last four years, illustrating that its practice outdates the coining of the term in 2008. Pierre Tami is an Italian-speaking Swiss businessman

who left a successful career in the airline industry to join a Christian organisation in 1982. His faith-based vocation took him to Cambodia, where he initiated Hagar International, a global non-profit organisation that operates a wide range of social programmes and in Southeast Asia. The Hagar Social Enterprise Group (HSEG) is the organisation's for-profit subsidiary. HSEG manages Hagar's social enterprise investments, which provide sustainable training, employment opportunities and an empowering workplace environment for survivors of extreme human rights abuses. During HSEG's 16-year history in Cambodia and Vietnam, there have been several successful exits that have yielded returns to investors. Building on a unique track record of helping build profitable social enterprises in Cambodia, Tami co-founded Uberis Capital in 2012, to provide expansion capital for social enterprises in Southeast Asia.

In India, Vineet Rai has been impact investing in early stage social businesses for 17 years through the Aavishkaar fund he founded in 2002. The first Aavishkaar fund closed in 2009 with \$14 million to promote inclusive development by investing in companies in agriculture, dairy, healthcare, water and sanitation and renewable energy sectors. The second Aavishkaar fund has a target size of \$120 million and achieved its first closing at \$70 million in December 2011. A 2010 study by Gray Ghost Ventures found that 30 percent of global impact investing is in India, where a large underserved market for low cost goods and services provides market opportunities.

Giving Circles

So far we have seen examples of entrepreneurial philanthropy that support non-profits with grants (a venture philanthropy model) or

invest in social enterprises (impact-first impact investing). Either end of this spectrum uses an investment process that adds value to funding by offering social entrepreneurs advice and technical support, analogous to a venture capital model. One of the most interesting developments in Asian philanthropy in the last five years, it draws a loose comparison to angel network investing in the commercial world. An angel network is a small group of private investors; usually experienced entrepreneurs, who pool their capital to invest in small business ventures. Giving circles are the angel networks that support the ventures of social entrepreneurs and are an innovation taking root in several Asian countries, although their development has so far attracted little attention. The giving circles profiled here illustrate the core premise that pooled capital and expertise is a powerful and flexible approach to philanthropy. We will see a giving circle that is affiliated to an American parent. Some have adapted this model to local contexts, while others have sprung up spontaneously without particular reference to external role models. Almost all are grant-based in the venture philanthropy mould, while a minority are experimenting with impact investment.

The giving circle models pioneered in the U.S. by Social Venture Partners International (SVPI) and the Silicon Valley Social Venture Fund (known as SV2) during the 1990s have proved to be durable philanthropic innovations. The core methodology is simple and replicable – a group of individuals pool their donated capital, choose a number of non-profit organisations in their community, and over a year or so provide grants and offer volunteer time (Arrillaga-Andreessen, 2012). The entry price for individuals is relatively

modest (usually a few hundred dollars up to several thousand) and so provides a low barrier entry to localised philanthropy. For many individuals, participation represents the first steps on a philanthropic journey that can be a fulfilling experience shared with like-minded individuals. In 2009 Eikenberry and Bearman (2009) estimated there were 600 giving circles in the U.S., engaging 12,000 individuals and donating \$100 million of pooled capital. The Social Venture Partner model was created in Seattle in 1997 by a software entrepreneur and group of his friends. The idea was popular and groups formed in other cities. By 2001 an informal network had formed and so SVPI was created to develop the model nationally and beyond. By the end of 2011, there were 27 Social Venture Partner organisations involving 2,165 individuals in the U.S., Canada, India and Japan, who between them have donated \$46 million and thousands of volunteer hours to 518 non-profit organisations. SVPI is a fee-paying, membership organisation that offers a raft of services to its 'affiliates' including a group start-up manual, communications materials, an affiliate intranet and tools for donor education and social impact measurement. Over 10 years, most growth has been in North America, with only two international affiliates (Tokyo in 2005 and Bangalore starting up in 2012). SVPI has, however, inspired other groups in Asia, which have not become formal affiliates.

Hideyuki (Hide) Inoue is a Japanese business professor who is popular with his students and has almost single-handedly brought the idea of social entrepreneurship to Japan. It was his exposure to the non-profit and philanthropy sectors in the U.S. that gave him the impetus to join forces with a group of like-minded young

professionals to launch Japan's first venture philanthropy fund. Tokyo Social Ventures was launched in 2003 and, following a six-month fellowship with SVPI in Seattle, the organisation became a formal affiliate and rebranded to SVP Tokyo (**See Profile: SVP Tokyo, p. 60**).

The success of SVP Tokyo and the energetic promotion of its model in Asia by its partners (notably by one of this study's authors) inspired other groups to form in Japan (Shikoku) and elsewhere in Asia (including Hong Kong and Seoul), and, while based on the SVPI template, these groups have not become formally affiliated. Financial centres, including Tokyo, Singapore and Hong Kong, are brimming with professional talent across the entire business space. Francis Ngai was a Hong Kong marketing executive and member of the 30's Group – a network of young professionals who wanted to volunteer their skills to further the development of local charitable organisations. After attending the Skoll World Forum in 2007, Francis persuaded the group to form a giving circle that has since developed into managed fund investing in non-profits and social enterprises – a 'dual engine' model that mobilises the resources of young professionals and raises funds foundations in Hong Kong (**See Profile: Social Ventures Hong Kong, p. 63**).

In Singapore, giving circles are in the early stages of development, but given the size of the business community and philanthropic culture of the city, there is potential for considerable expansion. APVentures (Asian Philanthropy Ventures) is a Singaporean giving circle of six individuals. One member is Keith Chua, a local businessman who helps manage the family's charitable trust and was looking for ways to develop his own giving beyond that

traditional route. The group meets quarterly and has so far pooled its financial resources and expertise in support of five initiatives, including the launch of Ashoka in Singapore. As the circle developed, its members hired a professional staff member, realising that projects would be better sourced and progress faster if not limited by the time that individuals could give. Chua believes APVentures has been a positive experience for its members and he offers advice to anyone thinking about setting up such a giving circle: "Understand, embrace and appreciate differences and preferences among diverse group members."

Liza Green's first exposure to collaborative giving was in her native South Africa, through small, informal groups that pooled donations to support charities working in the Townships. After moving to Hong Kong, she and her husband, concerned by what they described as a "dark undercurrent of poverty", proposed the idea of a giving circle to eight friends at a dinner party in 2007. New Day Asia, as the circle was named, now has 80 active members who fund projects in India, China, Nepal and Cambodia. Members pledge a minimum of just HK\$500 (\$63) each month although most give much more, so there is virtually no barrier to joining the group (**See Profile: New Day Asia, p. 65**).

Giving circles like New Day Asia and SVP Tokyo require only modest donations from their members, and by doing so create opportunities for professionals at the early stages of personalising their philanthropy journey. This democratisation of collective giving is an important lever for growing the wider philanthropy space by providing peer support and a pipeline of local non-profits. A different segment of

donors, HNWIs, form the focus of the Dasra Giving Circles in India. Dasra is a Mumbai-based philanthropy initiative that has innovated constantly over 10 years to meet the opportunities particular to the Indian context. Growing out of India's first venture philanthropy fund, Impact Partners, Dasra has supported social entrepreneurs and their enterprises, but more recently has been a leader in promoting informed and purposeful giving amongst the growing number of India's wealthy, entrepreneurial philanthropists. The Dasra Giving Circles manage a pool of donated capital much larger than, for example, the SVPI affiliates (a Dasra Giving Circle typically manages a pool of \$600,000 over a three-year investing cycle). Investment areas are based upon high quality sector research and each circle benefits from professional management of the Dasra team (**See Profile: Dasra Giving Circles, p. 67**).

All the preceding profiles of giving circles use grants to fund non-profit organisations, and leverage the volunteered skills of circle members. Angel investing is well known in the commercial world for helping small ventures grow to a stage where they attract venture capital or private equity investment. One or more angel investors purchase equity in the venture and work closely with the entrepreneur in developing the business. This approach would appear to be well suited to small social enterprises, where often there is a need for business advice and expansion capital. Our study, however, has uncovered very few examples of angel-type investing in the social enterprise space, although much activity may go unpublicised. We believe that wider use of impact angel investing would make a valuable contribution to growing the pool of social enterprises that would go on to find impact investors

for their next stage of growth. ARUN is a Japanese social investment fund structured as a limited partnership that provides uncollateralised loans to social businesses in Cambodia. Each of the investors is encouraged to volunteer their expertise as well as make five-year investments. ARUN has grown from 34 to more than 80 members since 2009, and positions itself as an impact investing fund using debt rather than a philanthropic fund using donations. ARUN is a hybrid model exhibiting traits of a professionally-managed fund and a member-led investing circle (**See Profile: ARUN, p. 70**).

In 2010 a group of 10 investors created the Social Investment Club (SIC) in Hong Kong. While most had strong backgrounds in entrepreneurship or financial services, others represented the social sector and academia. SIC is an impact angel network that looks for a committed entrepreneur with a credible business plan that maximises financial sustainability and social impact. SIC's only reported investment was in Fairtaste, a Hong Kong-based social enterprise promoting fairtrade and ethical consumption. In 2012, the group dissolved and has reformed as SIC 2.0 with a mandate to include younger members and introduce grant-making as a component in their activities¹⁰.

One of SIC's 'institutional' investors is another Hong Kong impact angel network called GIVE Venture Partners, comprising five individuals. Before retiring, Doris Kwan was a private banker and through that role came into contact with many charitable

¹⁰ Reported on <http://hksocialinvestor.blogspot.co.uk>.

organisations and other philanthropists. She and her fellow GIVE members have set aside what they call 'philanthropic' capital, but their aim is not to be a grant-maker. Ideally they want to inject risk capital and business advice into social enterprises and recycle returned funds into new ventures. Kwan has evaluated the business plans of many young social entrepreneurs, and finds the majority has good ideas but are weak on business experience. GIVE partners spend time mentoring entrepreneurs and offering basic business advice. Hong Kong has a mature civil society sector, but often there is a dependency on grant funding, making it difficult for SIC and GIVE to maintain a steady pipeline of enterprises ready for angel-type investment. "When we offer constructive criticism," says Kwan, "they feel they have a right to be funded." Angel investing, like all engaged models, is more than funding a good idea or a promising organisation. It involves a partnership of mutual responsibility and respect, and a clear alignment of interests. We will see in chapter 6 how an effective 'ecosystem' for philanthropy provides a continuum of financing models for non-profits and social enterprises at all stages of their lifecycle. Impact angel investors complement the activities of enterprise philanthropists in helping social businesses in their early stages of development become investment ready.

Many angel networks exist across Asia that support commercial ventures. There is some evidence that a few of these have formed groups for

angels interested in social investing. The human and investment capital contained within Asia's angel networks could be leveraged to support social enterprises¹¹.

Summary & Conclusions

Social entrepreneurship and its accompanying organisational forms – entrepreneurial non-profits, social enterprises and businesses that offer low cost goods and services to the mass poor – all offer new opportunities for creating social value in ways that differ from traditional charitable approaches. The social entrepreneurship movement is a global phenomenon that has taken root across Asia, and comes at a time when a new generation of entrepreneurial philanthropist, often wealth creators and investors, look to give while professionally active. We have seen business entrepreneurs direct their philanthropy, naturally and intuitively, by adapting venture philanthropy and impact investing models to serve social entrepreneurs in Asia. Giving circles, where individuals pool their capital and skills and collaborate in support of non-profit organisations, are widespread in the U.S. and have been imaginatively-adapted in several Asian cities. Indeed, in India, Dasra has innovated the model to a new class-leading level. Most giving circle activity, as implied by the name, is based on donations to promising non-profits. But some impact angel groups are beginning to emerge and experiment with angel investing in social enterprises.

Entrepreneurial expressions of philanthropy – along the whole spectrum from venture philanthropy to finance-first impact investing – are relevant for Asia, in response to the growing social entrepreneurship



movement. These models offer to engage a new generation of entrepreneur-investor philanthropists who find these models aligned to their business acumen, who feel more personally fulfilled by personal engagement, and who are focused on outcomes that offer significant social transformation. We predict that entrepreneurial philanthropy will gain in popularity in Asia, particularly amongst entrepreneurs and investment professionals.

Giving circles and impact angel networks will democratise entrepreneurial philanthropy, and lower the entry barrier for both young professionals and seasoned business people to engage collaboratively in supporting social entrepreneurs and their ventures. There is enormous scope for increasing the number of giving circles in Asian cities, but the model needs to be promoted more widely.

Recommendations

- We recommend that Asian grant-making foundations and philanthropists who have operated along traditional grant-making lines, actively consider models of entrepreneurial philanthropy to complement their grant-making activities. Additionally, we recommend they support venture philanthropy and impact investing by assisting with referrals, placing capital in venture philanthropy and impact investing funds, or by co-funding investments.
- We recommend independent, academic research on the effectiveness and value-add of the venture philanthropy model in Asia in comparison to more traditional grant-making approaches.

¹¹ *Angel groups in Mumbai and Shanghai are known to have members interested in supporting social enterprises (as related in personal communications to the authors).*

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- We recommend that giving circles be more widely promoted across Asia. Target groups would include professional communities such as private equity, investment banking, lawyers and investment/fund management, with outreach made through their professional associations.
 - We recommend the establishment of an online resource for giving circles in Asia, not solely linked to any one methodology or network. This would be a one-stop knowledge hub with the objective of encouraging new giving circle initiatives and disseminating the collective learning of existing groups.
 - We recommend the promotion of impact angel investing in Asia through existing angel networks.
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EdelGive Foundation

Rashesh Shah is an unconventional entrepreneur¹². Rather than continuing with the family business of making and selling school exercise books, Rashesh went on to complete his MBA at the Indian Institute of Management in Ahmedabad and in 1989 joined ICICI Bank during a formative period in the liberalisation of India's economy. In 1995, when he and former colleague, Venkat Ramaswamy, decided to launch their own financial services company named Edelweiss Capital, the booming economy started a downturn. It was not the best time to raise capital and take the risk of a start-up, so the venture began modestly in small offices near Mumbai's Fountain area with just three staff. There were more setbacks to come while riding the Indian economic rollercoaster, but today Edelweiss is one of India's home-grown success stories. A wide-ranging financial services giant employing 2,900 professionals across 297 offices in 144 cities, the company is today capitalised with over half a billion dollars.

Another smart move by Rashesh was marrying Vidya Desai, who was to become Edelweiss's Chief Financial Officer. A fellow MBA graduate from IIM-A, Vidya also worked with ICICI Bank, Peregrine and N. M. Rothschild during her 19-year career in investment

banking. While Edelweiss's CFO, she began thinking about the fledgling company's social responsibilities, taking time out to visit NGOs and make modest donations from the company's social budget. In 2007, the company went through a successful initial public offering.

Vidya explains, "Around the time of the IPO it was very clear I would step down as CFO, but I wanted to remain connected with the firm. We'd been making philanthropic allocations for about three years. It was very ad hoc and unstructured: I met somebody, liked the project and we gave money. But the more I spoke with NGO leaders, the more I began to appreciate what they were achieving in very tough environments." Vidya began to focus less on their projects and more on the NGOs themselves. "A lot of challenges I saw were around the organisations, therefore it seemed more meaningful for Edelweiss to set aside a budget and support the best NGOs in a more proactive and thoughtful way." Vidya presented her findings and suggestions to the Edelweiss board shortly after the IPO, and was given unanimous approval to "do something impactful" that reflected the company's entrepreneurial values and deep-rooted sense of giving back to society. The company would donate one percent of its pre-tax profits to this new philanthropic venture. Vidya decided that like the company, "we would start small, learn from our mistakes, and then decide where and how to focus. The same DNA that created the company would create the foundation." EdelGive was born.



www.edelgive.org



The foundation set up in a small office deliberately removed from the company headquarters (a decision they later reversed), quickly grew to a team of six with a mix of commercial and social sector experience, and all committed to a fresh and entrepreneurial approach to giving. At that time, Vidya and her team had not come across the term 'venture philanthropy' or met its practitioners. "With hindsight," she recalls, "we made very simplistic decisions about our sector focus, so we set up a small investment committee, comprising me and two company executives. We initially wanted to support education and livelihoods, and to work in a way that resonated with Edelweiss employees, with an approach that focused on strengthening organisations rather than just funding their projects." This was deeply intuitive for someone who knew how to grow effective commercial companies, and who had seen firsthand that a poorly functioning non-profit would struggle to deliver its mission, no matter how well-meaning the founder or dedicated its staff. Time and time again, Vidya had come against the NGO cultural resistance to

¹² The opening paragraph is based on the article: Bhargava, A., (2008), Shah: "The man who makes 'crorepatis'" in Rediff India Abroad, 11th March 2008.

Photo Credit: Aangan Trust

being constructively challenged about operational issues like cash flow and sustainable growth. "One NGO founder told me 'we are not a factory'," recalls Vidya. "Was this just the way NGO's worked, or could we, through some kind of gentle partnership, strengthen their operations and sustainability, without interfering in their mission?" Encouraged by positive responses from other social enterprises, which embraced the business-like approach, Vidya and her team decided that building the capacity of organisations would be "core to what we do".

"We start with dialogue," says Vidya, explaining how they approach each new non-profit, "just like Edelweiss Capital does. Beginning with a 'dashboard' exercise, we set down on paper what the non-profit sees as key challenges and ambitions over 6-month, 24-month and long-term horizons. We explore strategy, fundraising, hiring and social impact." This was a radically new process for the groups EdelGive engaged with, for "they had not learned to think strategically, they just did good work and took life as it came, never beyond six months planning. But through this dialogue, ambitions and aspirations started pouring out." Over time, the learning from this process helped EdelGive develop its current vertical advisory areas of: strategy and leadership, financial planning and sustainability, systems and technology, and human resources.

Two key objectives in developing the foundation's model over time were to align its way of working with the value creating, entrepreneurial style of the company; and to embed philanthropy throughout the business. A key outcome would be to leverage skills within the workforce that could assist the non-profits being supported by the

foundation. Vidya knew that Edelweiss staff had key skills that could be valuable to non-profits, if managed and adapted to fit the culture of the organisations they worked with. She already had volunteer employees in mind. "It was not too difficult as I already knew which staff might be interested, and some early role models emerged, including one who is now Chief Operating Officer of Edelweiss's wholesale capital markets division. He willingly rolled up his sleeves to help one non-profit put together a three-year strategic plan, right down to training them on Excel, even the font colours that investment bankers like so much!" Vidya found that most executives were excellent at adapting their skills and feedback from the non-profits was good, although sometimes the relationships did not gel. She recalls the Edelweiss in-house software team developing a payroll system for one NGO undergoing a major growth phase: "Eventually they got the payroll running but abandoned any wider systems development as the team were not getting buy-in from the NGO's management or board." She recalls another NGO, which needed financial planning support: "We got our staff from treasury to work on this cash flow problem, but they used a technical language too difficult for the NGO, who was working at a very basic level." Frustrations developed, "so we sat together and brokered the relationship and made compromises. We smoothed things out and in fact found that feedback from the NGO was valuable in helping shape these services."

Today, EdelGive Foundation articulates its vision as "to build a strong, efficient and high-impact social sector for a better India." Since 2008, EdelGive has committed \$3.5 million in grants to its portfolio of investee organisations, which in 2012-13 numbered 20. To

this financial support, the foundation has coupled 6,000 hours of expertise volunteered by Edelweiss staff. EdelGive's consulting support for Aangan (see below), exemplifies how the core business skills within the company can be harnessed to transform the operations of a non-profit organisation.

In 2009, EdelGive instituted the Social Innovation Honours, a national awards programme to celebrate groundbreaking work in the social sector. This strategic use of philanthropy is to identify and reward organisations that are innovating the empowerment of women in India.

Reflecting on the first five years of the foundation, Vidya Shah views it as experimental with much learned through trial and error: "Phase one was 'scatter and see what sticks' and now we are asking if what we achieved is what we set out to do? We wanted to develop knowledge about the sector, be a good partner to the organisations we funded, and demonstrate that the input of money and capacity building made a difference." The EdelGive team learned to appreciate the complexity and interconnectedness of the social issues addressed by the organisations they supported. "We need to think more about whether our way of working - micro selection in two sectors - is the best way to go. We are attracted to collaborative working," says Vidya, "and to investing in larger organisations, which is especially appropriate in India where scale is needed. We know that increasing leverage is going to be key to us as we look for greater social impact in the next five years."

EdelGive Foundation has developed its own venture philanthropy model,

leveraged skills from its parent business, and is fostering social innovation in India. Vidya believes that EdelGive has “established a platform that could attract other donors, especially within the Edelweiss ecosystem, and we are exploring a transparent legal structure needed for managing third party funds”.

Aangan: Protecting India's vulnerable children

Forty percent of India's estimated 440 million children are exposed to neglect, homelessness, educational problems, physical harm and sexual abuse, and are in urgent need of care and protection. Observation Homes and other state-run juvenile institutions are usually ineffective at protecting vulnerable children or breaking the cycle of neglect and poverty that keeps them institutionalised. Aangan is a non-profit organisation that aims to bring about systemic change by enhancing the existing infrastructure for the protection of every child. Aangan started out with the objective of improving the dismal conditions found in the state institutions and, over a number of years, expanded their scope of activities to include community-based prevention and reintegration programmes. To fulfil its mission, Aangan needed to improve its management information system (MIS) by modernising one that was outdated, paper-based and laborious.

A volunteer team from the Business Solutions Group (BSG) designed and created a centralised, web-based monitoring tool for state-run juvenile homes, to capture essential information and evaluate the homes based on a set of predefined parameters. Today, staff at each of Aangan's centres can upload data online and instantly

analyse and compare the performance of the homes. Aangan's CEO, Suparna Gupta, acknowledges that “the BSG team understood that we didn't have a good technical understanding; they were very patient during the whole process in identifying the key elements of the proposed MIS”, adding that she values the EdelGive partnership “for the kind of capacity building support they give. We were able to approach them and brainstorm ideas together.”

The web-based monitoring tool has helped Aangan expand to 10 states in India with the support of the government, which acknowledged the increased professionalism and management capacity the MIS had brought to the organisation.

BSG's volunteer time has resulted in an impressive, evidence-based tool that Aangan can use to support its advocacy work in protecting vulnerable young people. EdelGive has leveraged the skills of an in-house business unit which is more used to developing complex financial software, demonstrating how such a skills base can be adapted to the needs of a rapidly growing non-profit organisation.

ADM Capital Foundation

In the late 90s, Christopher Botsford, Robert Appleby and Denys Firth established ADM Capital, a Hong Kong-based investment management company. In 2005, the founders were approached by Lisa Genasci, a journalist who was helping M'Lop Tapang, a small Cambodian charity working with street children in Sihanoukville raise funds for a new centre that would allow the organisation to dramatically expand to meet needs. "The timing was perfect," recalls Lisa. The three finance entrepreneurs "wanted to rationalise the firm's philanthropy, by being more strategic in a way that was closely aligned with the values of the company they'd created". Shortly thereafter, Lisa went on to help create ADM Capital Foundation (ADMCF), with M'Lop Tapang as a first partner organisation. As a first step, the foundation set up a company in Cambodia to purchase land and build a day centre to support M'Lop Tapang's growing mission. Today M'Lop Tapang works with 3,000 young people providing access to education, adequate nutrition, shelter, healthcare and development programmes. "After many years living in Asia, the founders had a deep understanding of regional cultures," recounts Lisa, "and as entrepreneurs, they understood risk and the need for thorough due diligence, monitoring, and assessment. They wanted to apply business acumen to non-profits where appropriate, and to be as impact-driven on the non-profit side as they were on the for-profit side. Impact was key. They wanted results; they didn't want simply to dispense grants to large organisations; it was

much more about seeing results from their own philanthropic giving."

In setting up the foundation, Lisa was guided by the partners' desire to see impact in two broad thematic areas – children at risk and protection of the natural environment - with a geographical scope that could encompass any part of Asia. Early on, she established clear processes for evaluating non-profit organisations, borrowing the term 'hunting license' from ADM Capital. "Our starting point was an issue, a social or environmental challenge," says Lisa. "We didn't want simply to take on unsolicited proposals, but instead actively work to address a particular social or environmental challenge. We wanted to make sure we were working where need was greatest and to build coalitions of local partners we thought would work effectively to address that need. We're extremely engaged with our partners, so it's never about writing a cheque and walking away until it's report time."

The hunting license gives Lisa and her team permission to explore project areas and evaluate potential non-profit partners. If a suitable non-profit cannot be identified, then Lisa says the foundation will consider "seeding an initiative". This happened in Pattaya, where the foundation team was looking for an intervention to address child sex abuse in the Thai tourist town. After an exhaustive search, ADMCF identified an individual with a proven track record in community-based work with young people in Pattaya. "He was very



www.admcf.org



well regarded, but had little relevant management experience," recalls Lisa "So we identified a separate NGO with the management expertise, if not the experience, of working with vulnerable kids. We built the project infrastructure around this hybrid team."

Whether seeding an initiative in this way or supporting a pre-existing non-profit, ADMCF has a classical venture philanthropy approach in its commitment to its 28 local operational partners. Lisa stresses, "Our goal is not to be engaged with an organisation forever - we enter into an agreement with a local partner based on an understanding on both sides of the change we hope to see. We aim to make change and to build resilience. We don't focus on the term of the grant. An exit involves seeing the objectives we have jointly established are met, that the organisation is secure, has a wide funding base, and is strong enough to be able to go off on its own. Only then do we step back. A big part of our commitment to an organisation is not just financial, but it's across the whole spectrum of capacity building - human resources, fundraising, accounting and so on. That's where we find that we can really help solidify a non-profit because we can't address a social or environmental

need with a weak partner - you need to have a strong team." The foundation occasionally uses external consultants to offer strategic and operational advice, but relies on its core Hong Kong-based team, as well as staff in India, Thailand and Indonesia, which represent three of the eight Asian countries where ADMCF currently operates.

Two members of the team in Hong Kong have strong finance backgrounds. Francesco Caruso oversees the children-at-risk programme and is a former banker with Southeast Asian experience. Ryan Glasgo is the foundation's newly-appointed finance director, who left a career in financial services "to find something more rewarding and interesting in life but that still used my career background and skill set".

Ryan has been doing just that by spending extended periods with one of the foundation's portfolio organisations – Angkor Hospital for Children in Siem Reap, Cambodia. He is helping to develop the hospital's financial systems as the organisation transitions from a U.S.-registered non-profit to an independent Cambodian institution.

Having fully local management and accounting is a strategic move for the hospital, ensuring its long-term sustainability and enhanced impact on paediatric care in Cambodia. ADMCF has supported this transition, including help in hiring a new chief finance officer, with whom Ryan works closely in setting up a robust financial accounting system. Angkor Hospital had realised it was under capacitated in general management and systems – exactly the area of assistance ADMCF could best offer.

Ryan has been spending up to half of his time providing hands-on support to

the hospital accounting team and feels "without question my skill set from financial services is directly relevant in this work with Angkor Hospital and other non-profits we work with. We can look at what they are doing with a fresh pair of eyes and offer advice and business acumen with the goal of helping make these organisations stronger and more sustainable." Ryan acknowledges there was an element of risk in quitting his private sector job, but says, "it has been much more interesting and fulfilling than my previous career". He encourages his peers to see philanthropy as a viable path.

ADM Capital Foundation's recent involvement with Angkor Hospital for Children is an example of its entrepreneurial, opportunity-seeking approach. Francesco explains that the foundation "had supported the hospital for six or seven years with small grants because children from M'Loap Tapang were often referred there". Through this extended relationship, ADMCF got to know how the hospital functioned, see its even greater potential for paediatric care, and the organisational issues that held it back from maximum effectiveness.

In early 2011, Francesco met with medical staff and the hospital's executive director to explore options for the hospital's future. He detected a real appetite for independence, leading to the proposal that the hospital become an autonomous Cambodian institution rather than the project of a U.S.-registered non-profit. As a former banker, Francesco recognised a new approach was needed to make the hospital sustainable and locally grounded. "We came up with what looks more like a private equity deal." says Francesco, "not in a commercial



sense but in the way we saw the need for restructuring." Francesco is now working with the hospital staff on its new legal identity and Cambodian registration, and putting in place human resource and development plans. During this period of interim management support, ADMCF is providing the know-how and finance required to help the hospital staff build a sustainable, effective and efficient institution that will better serve Cambodian children. Francesco sees ADMCF's hands-on role during this interim period as lasting "as long as necessary, but as short as possible." When management and governance are fully in place, the foundation's role and relationship with the hospital will become as it is for any other non-profit it supports. In Cambodia one in 11 children die before their fifth birthday. Angkor Hospital has offered over one million free treatments to Cambodian children over the last decade ranging from oral rehydration to heart surgery, and is well positioned to help develop the framework for paediatric care throughout the country. ADMCF keeps this strategic goal in mind while offering day-to-day, on-the-ground practical support. and financing.

ADM Capital Foundation has a clear sense of its role to encourage other philanthropy initiatives in the financial services community. It does so by co-funding, collaborating and convening. Lisa says that some of the established banking foundations "have limited

staff numbers, so co-funding with us is mutually beneficial. Leverage is an important part of our model." Bringing people together is something ADMCF can do because of the company and foundation's strong networks across Asia: "We see ourselves very much as a convener, both of local operational partners and funders," says Lisa. "We want to see philanthropy that leads to action."

This is particularly so in its environmental programme, run by former environmental consultant, Sophie Le Clue, and ADMCF recognises the need to be a direct advocate for change. "Our marine programme is built around slowing the consumption of shark fin soup, which leads to overfishing," says Lisa. "Shark finning is not a single issue for us, it's about marine biodiversity in the wider sense. Sharks are critical to the health of our oceans. We got involved because half the global trade in shark fin passes through Hong Kong, where consumption of fin soup was viewed as an entrenched cultural issue." ADMCF started its involvement with a small grant in 2006 to WWF to raise awareness among companies in Hong Kong around the issue. Most shark fin soup is consumed at official, corporate or wedding banquets. This was followed by cultural, market and trade research to inform audiences about the campaign, and then an educational effort focused on the local hotel trade, companies and wedding couples. Local partners have also included Bloom and The Hong Kong Shark Foundation, both of which are provided with office space by ADMCF. The next step in this arena is to push for change in government policy, initially relative to consumption of shark fin at official functions. This Lisa views as "as a natural evolution in the way we view our impact".

In the calendar year 2010, ADM Capital Foundation invested just under \$1 million in its children-at-risk and environmental programmes and mobilised a further \$3.49 million in funding for operational partners. Philanthropic funding for environmental programmes is unattractive globally, making it a challenge for ADMCF to leverage funding for a vital sector. Nonetheless, the foundation remains committed to fully remaining engaged in both environmental and child protection programmes, and demonstrating its impact in both.

Richard Chandler Corporation



Richard F. Chandler's journey from running a family business in New Zealand to overseeing a global investment corporation in Singapore is a story of bold decisions and good market timing. With his brother, Christopher, he invested in Hong Kong properties during the China handover period when prices were low and the real estate market was very uncertain. They invested in Russian resources during the '90s privatisation drive when the economy and politics were highly unstable. In 2006, the brothers split their assets. Richard created the Richard Chandler Corporation (then named Orient Global) in Singapore and Christopher launched the Legatum Group in Dubai.

Richard realised early on in his career that there was a close link between creativity and prosperity. Looking back in history, he found the most prosperous societies – from ancient Greece to Florence of the Renaissance and Silicon Valley in the U.S. – had also been those where people could truly flourish, and where ideas and entrepreneurial energy connected. He believed that fundamental to this was the ability of ordinary people to lead healthy, educated lives in an environment of basic safety and security.

He expanded his organisation's focus to explore the opportunities to transform leadership, education and health, focusing initially on South Asia, where the health and education systems were not meeting the demands of the people. In addition to building and

investing in businesses in energy and financial services, the Richard Chandler Corporation now also oversees health and education businesses in eight countries, and is expanding rapidly in response to demand from the middle and aspiring middle class.

In the early days of tackling leadership, health and education challenges, Richard awarded grants to various causes which he felt had the power to affect change on a grand scale. The results were frustrating and he felt the outcomes were not sustainable, let alone scalable. He sought more direct control, better project management, and more client-focused execution of the business strategies.

In 2008, Richard went to India and set up a small team to explore the feasibility of building up a business from scratch. Rumi Education, a provider of teaching solutions to bridge the gap between teachers and students, was born. Today, Rumi works with more than 130 schools, catering to more than 70,000 students. It is customer-driven and revenues are reinvested for improvement and expansion.

In 2009, the Richard Chandler Corporation established Viva Healthcare, which aims to be the leading provider of health services to the middle and aspiring middle class in its target markets.

According to John Forsyth, who leads the company's healthcare and education businesses, today's approach

www.richardchandler.com

reflects the hard lessons learned by being "on the ground" in the markets that mattered. Initially, the businesses aimed to reach the poorest people, those "at the bottom of the pyramid". It soon became clear that margins were too thin there for a business solution to be sustainable. John adds, "Developing business specifically for the bottom of the pyramid creates a class stigma that is unappealing, even to low-income consumers."

Today, the businesses take an entrepreneurial approach, focus on profit as an indicator of customer satisfaction and demand, and always look for ways to reshape the market for greater impact on health and education outcomes. They emphasise sustainability and excellence. They focus on the aspiring middle class, knowing that as a business grows to scale, it can expand via innovation to the next addressable markets more easily.

To create and achieve the kind of transformation in society "you need to have scale," explains John. The intense need for scale pushes the Richard Chandler Corporation to design businesses that can be replicated elsewhere, taking into account local customs and conditions. Viva Healthcare is an example. It is established in India and is being replicated in Indonesia with considerable success. Within a year of entering Indonesia, Viva Healthcare established three revenue-generating healthcare businesses in medical

equipment leasing, a pharmaceutical retail chain, and a clinical practice.

The medical equipment leasing business reflects the company's assessment that, despite a huge need, there is a shortage of high quality medical equipment in hospitals in Indonesia. Recognising that cost is the prohibiting factor, they place medical equipment with hospitals and adopt a revenue-sharing model instead of asking for upfront payments. This approach creates a sustainable business and also achieves the core goal of raising health standards: people are now receiving earlier detection and better treatment for serious diseases.

The retail pharmacies provide quality pharmaceutical products and related services. In the first couple of months of operation, they served more than 10,000 patients. Finally the clinical practice is set up to provide quality healthcare through an integrated network of primary care clinics and polyclinics, focused on diabetes and maternal health.

One distinguishing factor of the social enterprises set up by the Richard Chandler Corporation is the business focus. Best practices from the industry are adopted to provide high quality products and services to the customers. "The core motive is not trying to make money out of the aspiring middle class but using profitability as a measure of efficiency," says John. It is an indication that the service or product provided is something that the customers want. As John aptly puts it, "We are motivated by being extremely efficient and, through that efficiency, we have become extremely customer-focused."

Through building profitable ventures, the Richard Chandler Corporation hopes to make other businesses realise

the potential of this huge underserved market segment. They would like to ignite competition that produces high-quality products and services for hundreds of millions, if not billions, of people who now receive inadequate health and education services. The same bold, contrarian approach that built a business empire is now also being used to tackle complex and challenging emerging market issues.



Transist Impact Labs

www.transist.st

Shortly after graduating from Williams College in 1987, William Schoenfeld left for Tokyo, where he began what would become a highly successful career in real estate investment and asset management. His roots are now firmly in Asia, where he speaks Japanese and Mandarin fluently. In 1994, Bill Schoenfeld co-founded Asia Pacific Land, a company that today manages assets in excess of \$4 billion across Greater China and Japan. Twenty years after Schoenfeld left for Asia, he met another young Williams' alumnus, Benjamin Rudick, who was passing through Hong Kong while pursuing a business idea in renewable energy. They hit it off and when the conversation turned to solving large-scale problems, Schoenfeld knew he had met someone who could help him shape his own personal approach to philanthropy. Ben recalls this first meeting: "Bill is a fascinating guy, by far the smartest person I've known. We got to talking about social enterprise and the conversation soon deepened into the way to solve big social and environmental problems, and from there to the meaning and practice of philanthropy." Bill Schoenfeld was already generous with his wealth, giving to the arts and supporting some microfinance projects, but Bill made it clear that he had reached a point in his life where he wanted to engage in a more structured and effective way rather than continue as a 'cheque book' donor. "In our conversation," continues Ben, "three themes emerged for Bill: how to solve big problems, how to be fully and personally engaged, and how to best leverage his resources and time. It was clear even then that the core of Bill's philanthropy would be to use investment

and entrepreneurship as his main tools. He wanted to create solutions of similar scale to the problems themselves, and he felt that the only way to do this was to use the tools of business."

Like many business-building entrepreneurs, William Schoenfeld was not content with a passive approach to his giving. The ideas should be big and disruptive; the solutions should engage him as a whole person, leveraging his business acumen; and the focus should be on maximising impact. In February 2009, Ben shelved his own business start-up plans and joined Schoenfeld full time to help map out a successful strategy. It was clear from the start, even before strategy formed in any detail, that China would be the main geographic focus.

From the start, their activity was divided into four categories: charitable giving, such as their support of the Campus Microfinance Alliance (now Lend for America), which supports the growth of student-led microfinance banks on college campuses; direct investment, such as their support of Micro Benefits China, which provides employee benefits to migrant factory workers; incubation of new business ideas; and development of programmes to support the growth of social enterprise.

The origin of their first and largest programme came from a meeting of the Clinton Global Initiative (CGI) in Hong Kong in 2008, which led to the idea of taking bright Chinese social entrepreneurs to the U.S. for training in how to develop their businesses (now, as then, the social enterprise landscape

is much more developed in the U.S. than it is in China). The first such trip, in 2008, had just 13 participants selected from a pool of 50, and many of the participants had not yet established a revenue-generating business. Now, the programme has matured into the ECSEL Fellowship, a year-long, part-time fellowship programme for accomplished social entrepreneurs who seek to expand and maximise the impact of their social business within Greater China. Every year, thirty Fellows, each of whom run established social businesses, are chosen from a pool of thousands of applicants to participate in a programme that includes a training trip to the U.S. and one inside China. Mentoring and access to potential investors are included in the intensive programme. Once the Fellows graduate, they join a growing alumni network of ECSEL Fellows around China. In order to push forward its investing and incubation activity in China, Bill created Transist Impact Labs based in Shanghai and led by Calvin Chin, formerly CEO of Qifang, a peer-to-peer lending site for Chinese student loans. Dongli Zhang is Transist's chief of staff, a young Chinese with a U.S. education who characterises the lab as being at the intersection between profit and purpose, art and science, creativity and technique, and passion and discipline. Building on what had been achieved previously, such as the growth of the ECSEL Fellowship, Dongli says, "We realised that China needs a working ecosystem to support the development of social enterprises, not just training. They need capital. They need capacity building. That's why we started thinking about making angel

investment available to social enterprises with scalable solutions. We are here to test and make a case for early stage impact investing in China.” Transist was set up in July 2011 to distinguish investment from grant-making.

To date, Transist has made six investments, both in China and in the region. “Over time, we will focus more on investing inside China,” says Dongli. “Typically the investments are in the range of \$10,000 to \$1 million as equity or debt.” At present there is no strong sector focus, but Dongli says they like to support early stage ventures with “a disruptive innovation that combines technology and social impact, and a model that demonstrates the power of business to create both social and financial value”. Transist views Internet and mobile-based technologies as the most likely means by which business in China can be scaled at lowest cost. Interestingly, Transist does not feel it necessary to use the language of social entrepreneurship in identifying those individuals whose ventures they support. “Many of the people who approach us with business ideas have never heard of the term ‘social entrepreneurship’,” says Dongli, “but they do have a very strong sense of social responsibility and passion for making social impact.” For Dongli, the key demographic is “entrepreneurs with a strong business background, technical expertise and a desire to combine these for social purpose.” Peng Huang, an entrepreneur with diverse industry exposure, aims to tackle obesity problems in China and runs 4+1, a mobile SNS health app that helps users conveniently monitor and improve their eating habits and health. One Earth Design, based in Hong Kong with an office in Beijing, develops clean energy solutions for remote communities in the Himalayan region. Micro Benefits China, founded in 2010, provides Chinese frontline factory workers with access

to affordable insurance and increased purchasing capability on life essentials and education, delivered via an innovative benefits platform through employers.

Like an angel investor, Transist maintains close contact with its entrepreneurs, offering advice and expertise at a level and frequency that depends on the maturity and experience of the individual entrepreneur. Non-financial services are offered by its small team on the ground and by a dozen or so mentors in China, who have substantial entrepreneurial business, legal and marketing experience. Most of the entrepreneurs behind the historical portfolio are not Chinese nationals, but now that Transist is established in Shanghai, Dongli is starting to see a good pipeline of potentially investable enterprises in China: “We are now making around one new investment each month, from some twenty or so conversations we have with prospects.” Some of these prospects come as referrals from socially-minded investors, and to stimulate the pipeline, Transist is forming an informal network of investors who can share data and experience of the local market. Dongli feels that such a platform offers scope for attracting angel investors whose traditional interest has only been in commercial opportunities.

Ben Rudick is encouraged by the dynamism of social enterprise in China today. “Bill Schoenfeld’s vision,” says Ben, “is to galvanize the social enterprise space in China. Our role is to bring people together and help them to succeed, and, by working with our partners both inside and outside of China, we can make this happen.”

SOW Asia

For almost nine years Darius Yuen headed equity capital markets at BNP Paribas, as the French bank's Hong Kong-based managing director responsible for public and private equity fundraising for Asian corporations. Barely two months into a new job at Bear Stearns, the 2008 financial services tsunami crashed over him. In a personal and thought-provoking talk at TEDx Hong Kong, Darius recalls the deep sense of inequality on the dealing floor the day human resources brought him his termination cheque. His contract was honoured and he did very well financially before the company was swallowed up in the deepening crisis. But he remembers how many around him were left with nothing, losing their jobs, livelihoods and even families.

This deep-rooted sense of empathy did not begin as an investment banker, but right back as a small boy when his father would talk openly about the need to give charitably in an unequal world where so many were poor. His father's teachings, his exploration of what the world's religions spoke about giving to the poor, and 18 successful years in financial services, all contributed to what Darius would do next. He launched the SOW Asia Foundation to integrate the human impulse to give with the business acumen needed to solve social problems.

"It's clear that what Darius had in mind in setting up this initiative," says Scott Lawson, SOW Asia's Chief Executive, "was to avoid the 'spray and pray' approach of traditional charitable giving, and engage with a business-like discipline, leading us to focus on how we might support social enterprise." Scott is an American who has settled

in Hong Kong as a permanent resident, and now works with the board to set strategy and manage operations day to day. Scott notes that "these discussions were going on in 2008, before the term 'impact investing' had been coined", and so were based more on a deep sense of intuition than wide practice.

SOW Asia was envisaged as a philanthropic initiative, with the primary purpose to create social value, even though it would seek what Scott calls "a commercially sustainable basis for our investments". For that reason the organisation was set up as a charitable foundation rather than a regulated investment fund. "We viewed ourselves as a venture philanthropy fund, although not one that would routinely use grants as a preferred financial tool," says Scott, "but we fully understand now that there is a vital role for grants, and so part of our maturation is learning how we align with grant makers to make funding across the spectrum effective." Scott admits that in hindsight, "it's clear to us now that we need players at each spot along that funding spectrum to avoid the 'chasm of death' where young entrepreneurs cannot evolve their ventures because of the gaps." SOW Asia believes that "plugging gaps" in the funding spectrum is an important contribution to the overall development of an effective ecosystem.

SOW Asia was seed-funded by Darius, however it was always envisaged to be attracting philanthropic capital from other donors. And while Scott is clear that any profit from successful investments would not be the primary means of revenue to drive SOW Asia forward, "it was a part of



www.sowasia.org



our value proposition to potential donors that we would recycle capital". Scott is refreshingly honest about the investment experimentation that SOW Asia went through in its first two or three years. The kind of opportunities that presented most readily were relatively small - early stage ventures of social entrepreneurs which needed grant finance coupled with considerable non-financial support. These were not in SOW Asia's 'sweet spot' - which Scott says ideally would be "social enterprises undergoing growth or sophisticated start-ups - neither of which grow on trees". Scott's investment staff looked at many excellent, but early stage opportunities, that he says "we had to pass because there was just not yet enough substance for us to invest." This bifurcation of early stage and growth capital opportunities led to the amicable departure of three of the SOW Asia team in early 2011 to set up their own venture philanthropy operation, Synergy Social Ventures, focusing exclusively on early stage support to promising social entrepreneurs. At that point, SOW Asia's challenge was to focus and rebuild the organisation. New, full-time team members were added in late 2011 and the organisation has been moving forward since then.

In developing a strategy that plays to SOW Asia's strengths, Scott speaks of being at the "front end of impact investing", meaning seeking to invest in those social enterprises at a relatively early stage and poised for growth, to help them become investable by second stage impact invest funds or commercial sources of capital.

SOW Asia is currently evaluating several enterprises "run by entrepreneurs who have some private sector experience and who understand the fundamentals of business and the disciplines required to run an enterprise that has clear social objectives". These are located in Hong Kong and China. SOW Asia also emphasises that social impact must be embedded in the business model, rather than, as Scott says, "bolted on". In this way, the impact can grow along with the business. Also, it is much more difficult for future owners to strip out the impact whilst seeking greater profits.

SOW Asia is currently doing final diligence on several opportunities. One is a bespoke tailor producing

quality menswear 100 percent made in Hong Kong. The founders of the social enterprise wisely perceived that undervalued assets, including disenfranchised tailors, displaced seamstresses and young people who had fallen into anti-social behaviour, could be productive, positive members of society. The value proposition includes stable and skilled long-term employment opportunities with proper compensation and dignified working conditions. Also, it will become a viable career option for youth in Hong Kong with drug addiction challenges.

As with all of its investment work, SOW Asia catalyses the necessary resources to support the social business in its intent to scale. These include financial capital, in the form of debt and equity, but also significant non-financial resources provided by the management team and from a wider network of support through SOW Asia's Knowledge Volunteer (KV) network. In this particular investment opportunity, SOW Asia will be helping to design the apprenticeship programme and establish initiatives with drug rehabilitation programmes in the region.

SOW Asia's first investment, and one it is still committed to despite its refocusing of mission, is GIGA, a Shanghai-based web platform that promotes the uptake of environmentally friendly building and design materials. China is the world's manufacturing hub yet its building materials industry is fragmented, with a confusing array of eco-labelling schemes. The website provides designers and architects with the information they need to choose materials with the least negative impact on human health and the environment, for the domestic Chinese market and users worldwide who source materials from China.

As an active impact investor, SOW Asia aims to provide far more than finance, offering technical advice, impact measurement, a global platform education and awareness, and sitting on the board of their portfolio enterprises. Scott is acutely aware of the cross-cultural dimension of such a hands-on engagement, even between Hong Kong and Mainland China, "we have to be great respecters of the local constraints and the cultural context in which our entrepreneurs work. We have a pool of talent in Hong Kong that we can draw from in areas like law, marketing, strategic planning or supply chain management to offer our investees." This value-add is key to an investment decision: "even if we had what we thought was a great deal, but felt that we could not adequately provide non-financial support on an on-going basis, we would have to think about it very carefully".

For the past decade, the environment for social enterprise in Hong Kong has been predominated by social care NGOs, founded by well-established charities, with trading activities to diversify their income sources. But with the support of intermediaries such as SOW Asia, the social venture scene is becoming more diverse, with the emergence of both for-profit and non-profit models. Scott says: "SOW Asia is a bit agnostic on the actual form. Our focus is on impact and, as we are learning in Hong Kong, there is more than one way to make a difference. We also realise we are just one actor in one sector. The space will only take off when there is coordinated leadership across multiple sectors. We certainly intend to play our part and look forward to working with others who see opportunity in collaboration."



Insitor Fund

After eight years at the strategy consulting firm Bain and Company in Italy, Micaela Ratini took a sabbatical to evaluate her options in the development space. She first worked in the merger and acquisition team at Arthur Andersen before joining Bain as a manager in Financial Services Practice.

She decided to put her thoughts into action by taking time off to work for a social entrepreneur in Cambodia who needed help restructuring his company. The stint proved to be instrumental in changing the course of her career. Micaela remembered it as “a most challenging work experience due to the inefficient operations and lack of adequate skills”. She saw the amount of work that could be done to help developing countries and was pushed into action. Through the social entrepreneur that she worked with, she was linked up with Maria Alessandra Foglia. Maria Alessandra is the vice chairperson of Fondazione del Ceresio, the foundation arm of the Swiss private bank Banca del Ceresio, where she coordinates the selection, monitoring, and evaluation of international poverty alleviation projects.

Micaela eventually dropped the idea of going back to Bain and instead poured her energies into Insitor Fund, a social venture capital fund she co-founded with Maria Alessandra that provides equity and equity-like funding to social entrepreneurs proposing market solutions to critical development issues and promoting a responsible and sustainable economy.

Insitor Fund was started with about \$2 million of seed funding to be invested in social businesses in Southeast Asia. The idea was to try out the model to see whether it would be successful. The flexibility accorded by the funders was instrumental in its eventual success as it gave Insitor the privilege to adjust the investment strategy over time to best fit the market conditions.

Originally, Insitor was set up to invest in amounts of \$250,000 to \$1 million in established companies with a positive track record but deal flow was limited. “There was a large gap between demand and supply. Many young companies couldn’t access funding as most of the funds were directed to more mature businesses,” explains Micaela.

Working around the pipeline issue, Insitor changed tack and worked towards funding early stage companies to enable them to develop towards the level where they became attractive to other funders. Generally, Insitor funds companies that have proven concepts and potential for significant scale. These companies are in the investment phase right after angel investing. Angel investing, where business concepts are still being developed, is considered too risky for Insitor.

Insitor is headquartered in Cambodia with representatives in India and Myanmar. Investees are companies that are strong in their core business. The team does not interfere in the core operations and only concentrates on providing funding and assisting in finance, planning and governance. Insitor believes entrepreneurs know



www.insitorfund.com

INSITOR FUND Seed Capital For Development

what they are doing and should be left alone to do what they are best at.

When possible, Insitor works with regional impact investors to co-invest and share transaction costs as well as hands-on responsibilities. Investing together with partners from the philanthropic sector is considered as being more complicated as interests and requirements may not be fully aligned throughout the companies’ development. The focus on early stages investees not generally targeted by social investors has been helpful in creating a steady deal flow for Insitor. This is in contrast to other similar funds that are suffering from a lack of attractive investment opportunities.

Since 2009, Insitor Fund has invested \$4 million in Cambodia, Laos, Vietnam, and India. In Cambodia, Insitor has financed Urban Village, a medium-to-low-income housing initiative in Phnom Penh. The target clients of Urban Village are urban workers and migrants who cannot purchase a home due to unaffordable prices, unsecure land ownership titles, and difficulty in accessing financing. Urban Village creates small residential areas with home prices between \$8,000 and \$40,000 and connects buyers to financial facilities that make home ownership possible to families with incomes as low as \$2 per day.

Insitor has also invested in First Finance Plc., the first and only finance company in Cambodia specialising in home financing for low-income households. First Finance offers home acquisition and home improvement loan products using a micro-finance perspective to traditional banking products. The company currently operates in Phnom Penh and Siem Reap and plans to add five provincial branches within two years. The project is a joint venture between Cambodia-based First Home Plc, Singapore-based Phillip Capital, and Insitor Fund. Phillip Capital is an integrated financial institution, best known for its brokerage services. In recent years, it has ventured into investing in developing countries with the objective to achieve a double bottom line of social and financial returns.

In India, Insitor has invested in Sustaintech Company, which was founded by the management and staff of Technology Informatics Design Endeavour (TIDE), a not-for-profit organisation using market-based mechanisms to achieve rapid replication of certain identified technologies and products. The company produces and distributes a range of fuel-efficient technology solutions to street food vendors and community kitchens. The products, by reducing costs of operation and creating better workplace conditions, improve the livelihoods of those who run them and benefit those customers who depend on the services.

Maria Alessandra admits that Insitor Fund is still experimenting and developing its model of 'social venture capital' but so far "the experience has been less frustrating than grant-making". She says there is "room for many players" in the funding spectrum from grants to commercial investment, and that grants still have a critical role at the earliest stages of a social enterprise's development. While Maria Alessandra would encourage individual

philanthropists and foundations to consider impact investing in addition to grant-making, she expresses a note of caution about the confusion she sees in the market today: "I am seeing so-called impact investments that have no social return at all, so we need more clarity about what is grant-making, what is commercial investing and what is impacting investing."

Social Venture Partners Tokyo

After completing his MBA in America in 2001, Ken Ito returned to a corporate finance position with GE Capital in Japan. "At that time I was looking for a volunteer opportunity that would utilise my business skill set," says Ken, who is today studying for a PhD in venture philanthropy at Tokyo's prestigious Keio University. "I came across a group called Tokyo Social Ventures (TSV), and was excited by the motivation of a group of passionate and talented young professionals, who likewise wanted to find meaningful volunteering opportunities that leveraged their commercial skills." Without hesitation, Ken paid his 100,000 Yen (\$1,300) annual contribution and signed up. Ken and his fellow TSV members shared a belief that "innovative non-profit and social enterprises could be a driving force to bring solutions to Japan's social issues", in a way that traditional charities, with their strong link to government, could not.

TSV was established in 2003 by a group of young professionals including Hideyuki (Hide) Inoue, a visiting associate professor at Keio University. After completing his Master's degree in Washington D.C., Hide worked for a consulting company before jumping into the field of non-profits, including a disaster relief project on Okushiri Island in Hokkaido, Japan. Hide became the recognised champion of social entrepreneurship in Japan, organising a series of social business plan competitions called "Style" from 2003 to 2007 at ETIC, a Japanese non-profit intermediary in Tokyo. Hide's exposure

to the social innovation culture of the U.S. inspired him to pioneer TSV as a venture philanthropy fund for Japan. He had been particularly inspired by the Social Venture Partner International (SVPI) model he had witnessed in the U.S. and saw this as the basis for developing an initiative in Japan. Under the auspices of the Japan Foundation, Hide spent six months at SVP Seattle as a visiting fellow, where he was involved in the daily operations of the organisation. The fellowship gave Hide the impetus to bring the SVP model to Japan.

Before becoming a formal affiliate of SVPI in 2005, and changing its name to SVP Tokyo, TSV did not begin active investment, but focused initially on raising awareness and education, through a regular event called 'Network Meeting'. At these monthly events, start-up social entrepreneurs were invited to share their experiences and challenges. About 100 young professionals showed interest and said that they were interested in knowing more about innovative non-profit and social enterprises in Japan. Ken Ito joined as a member of SVP Tokyo just at the time when the group began active financial support to Japanese social enterprises. "I was assigned as the primary contact for a potential investee organisation, and to conduct due diligence appraisal on them," recalls Ken. "It was a non-profit organisation that provided education for hearing-impaired children using sign language as the teaching medium." The experience was an eye-opener



www.svptokyo.org



for Ken, who began to realise what a big change in policy the organisation's new model represented. "It was not permitted to use sign language in State-funded schools for the deaf," says Ken, "because the government believed spoken Japanese to be the first priority of the education." Ken says he was "so shocked to be exposed to the hidden reality of this social issue, yet at the same time I was so thrilled with the potential help SVP Tokyo could offer them, particularly with our skills and knowledge". The non-profit was finally granted permission to set up its own school, but they found the regulatory bureaucracy and fundraising hurdles daunting. Ken was joined by another SVP Tokyo volunteer-member to form the team of two that would help the non-profit through this critical stage in its development. Ken recalls: "We helped them create a budget plan to submit it to local government; worked with the organisation on its ambitious fundraising plan; and used our networks to introduce journalists to the new project." Ken and his partner spent an intensive 10-15 hours a week "in meetings or creating documents and budget plans, but we enjoyed it very much. Personally I was able to

bring all my skills from GE Capital - budget planning, financial forecasting and government reporting - to the project". After six months the project was a success, the school was launched, funding targets exceeded, and the initiative given widespread publicity in major newspapers and television. SVP Tokyo remained engaged for a further two years in the school project. In fact, Ken and his colleague continued to support the organisation when invited to become board members. It was a hugely positive experience for Ken who says the involvement gave him "strong confidence to know I can contribute to social change even as a part-time volunteer, utilising the skills from my day job". Later on, Ken was able to devote more time to helping SVP Tokyo develop, by assisting in strategy and operations for the fund itself, talking to potential donors, and speaking at conferences around Asia. At a conference in Hong Kong, Ken met Francis Ngai who went to found SVHK (see the profile of Social Ventures Hong Kong below).

The differences in philanthropy culture between the U.S. and Japan required SVP Tokyo to modify the core SVPI model for the local context. Japan has a comparatively underdeveloped charity market, which is estimated at \$12 billion in annual donations. This is only around

three to four percent of charitable giving in the U.S., estimated at \$300 billion per year. This big difference reflects the major role the government plays in spending on social welfare. SVP affiliates in the U.S. typically consist of successful business people and wealthy individuals close to retirement age. By contrast, SVP Tokyo attracted young professionals aged from 20 to 40. One resulting adaptation was to set annual membership contributions in Tokyo at \$1,300, compared to \$5,500 in the U.S.

Ken believes that a key factor in SVP's successful adaptation in Japan was the change in social attitudes by young professionals after the economic bubble burst in the 1990s. He says, "The younger generation in Japan realised they could no longer expect the promise of economic growth and job security after the downturn. Many shifted their life-goals towards making contributions to society." In this regard, SVP partners in the U.S. and Japan share a similar passion to contribute to social change – but at different stages of their life. In Japan, the relatively youthful membership did cause a high turnover of partners as individuals got married, started families or made a big career change, making it difficult to maintain high levels of involvement with SVP Tokyo. Typically after several years of activity, they left as graduated partners.

A further key adaptation of SVP to the Japan market was its greater focus on support to trading-based social enterprises rather than non-profits with a grant-based revenue model. It appears that the small charity sector in Japan has forced non-profits to develop earned income as a strategy for growth in the relative absence of donations and grant-making. Seven years on, SVP Tokyo has approximately 100 members and has supported 24 social enterprise

ventures, with 15 members having graduated or exited from active support. Most of these investees remain in the portfolio for two years, during which time they receive hands-on advice and grants that are typically 1 million Yen (\$13,000) per year. So far, only once has the financial support been in the form of an equity investment by SVP Tokyo. Teams of five to 10 partners provide a range of general business advice, with each spending up to 15 hours in volunteer time each month, despite most having very demanding employment obligations. Decisions about new investments are very democratic, with every partner invited to a 'pitch' session of a half dozen prospects. Following presentations and discussion, a vote is taken and two or three new investees are chosen on merit and potential. From the very first Network Meeting until today, the flow of potential social ventures to support continues to generate a healthy pipeline for SVP Tokyo. In 2009, the fund hired a full-time employee for the first time to enhance its administrative capacity.

One of the earliest ventures supported by SVP Tokyo was Florence, a social enterprise providing nursery facilities for infants with fevers or other mild illnesses, who would normally be excluded from regular daycare because of infection risk. This has since grown to become a well-known and popular service for Tokyo working parents with a multimillion-dollar turnover. Another successful investment was Multicultural Center Tokyo, a non-profit that provides services to recently arrived immigrants. SVP Tokyo investment allowed the organisation to expand into tutoring immigrant children, plugging a gap in the public school system, which had no capacity for teaching in foreign languages. The fee-based service quickly hit break-even.



From 2008, SVP Tokyo made a strategic decision to slow down its pace of growth, largely made because of a concern that rapid growth might be a risk to maintaining communities amongst SVP partners. New partners are now required to have two recommendations from existing members, who agree to mentor new members. In its first four years, SVP Tokyo recorded very high renewal rates for its partners. However, after 2009, many, including founding members, started to leave. Ken interprets this as a consequence of local circumstances. "In the U.S., SVP is thought of as a 'church' model," says Ken, "where like-minded people who share similar beliefs and goals meet on weekends and evenings to create social change, utilising their time and money." He believes that in Japan, with its younger membership, "SVP transformed to a 'university' model which people join in the organisation, learn from the projects how to do social investment and then 'graduate' after three or four years for a new journey of life with a feeling of accomplishment." Turnover is not viewed as negative, despite the added pressures to recruit new members. A key aspect of SVP is to cultivate a generation of informed and engaged donors. In fact, several of those who leave SVP Tokyo do turn to new careers in the social enterprise sector.

As a formal affiliate of SVPI, the Tokyo group pays an annual fee to the U.S. organisation of \$5,000 - \$6,000, depending on the number of partners, and in return receives a license for using SVPI's logo and brand name, a package of operational manuals and guidelines, as well as strategic advice based on SVPI's experience in the U.S. and Canada. Until recently, SVP Tokyo was the only affiliate outside North America, and it has been a pioneering advocate for the venture philanthropy giving circle model in Japan and other

Asian countries. Ken Ito believes that SVP Tokyo's success "has triggered several other followers to join in this movement of social innovation." Social Ventures Shikoku is an intermediary organisation in Takamatsu prefecture that started in 2010 with inspiration from SVP Tokyo activities. SV Shikoku organises seminars and workshops on social innovation and social change in the Takamatsu area. Outside Japan, SVP Tokyo has been instrumental in promoting the model during conferences in Singapore, Hong Kong, Taiwan, Korea and China, "which resulted," says Ken, "in the formation of similar initiatives in Hong Kong, Singapore and Seoul." While none of these has yet to become formally affiliated with SVPI, Ken believes they have all adapted the SVP Tokyo model of venture philanthropy in a way that best serves their local contexts.

Social Ventures Hong Kong (SVhk)

As a veteran marathon runner, Francis Ngai gives himself time to reflect on life. Like a growing number of young Hong Kong professionals, Francis sensed an imperative to 'give back' to society. In 2006 Francis, then head of strategy for a listed technology company in Hong Kong was a member of the 30's Group, a forum for professionals who cared deeply about society and wanted to do more than just donate to charities. Francis recalls, "Instead of just picking up garbage at the beach, I think we wanted to use our professional expertise in some way that benefited the wider community." They invited speakers and learned about social enterprise, which caught the group's imagination. Several members volunteered business advice to such businesses on the island. But it was a visit to the Skoll World Forum in 2007 that really set Francis thinking about the power of bringing small amounts of financial capital and volunteered time into the service of social entrepreneurs, and encouraged the 30's Group to develop Social Ventures Hong Kong (SVhk).

With considerable prescience, SVhk established a "dual-engine legal entity," as Francis calls a structure that allows both grant-making and social investment. "Our shareholder agreement makes it clear that no one receives a dividend or their money back," says Francis, "so it's really a philanthropic fund, but gives us the flexibility to invest into equity-based social enterprises." In just five years the group of young, engaged professionals had started a venture philanthropy

fund supporting a diverse portfolio of non-profits and social enterprises in sectors such as empowerment schemes for challenging teenagers, eldercare, and initiatives addressing global food imbalance and lifestyle. The fund's most hands-on venture to date, nurtured from conception is Diamond Cabs, a new high-quality, safe wheelchair accessible taxi service for the island's 100,000 wheelchair users, where SVhk has a 51 percent equity stake in the business. In order to grow Diamond Cabs as a competitive business, SVhk leveraged the skills of its growing base of volunteer professionals through the business planning and execution stages. A partnership with Crown Motors ensured that the best possible specialised cabs were available for passenger comfort and fleet reliability. Diamond Cab's other equity investors include elderly care homes, individuals, and the taxi license operator. While Diamond Cabs, like other SVhk portfolio businesses, stands in a competitive market that places discipline in its business sustainability model, it is fundamentally value-based. Diamond Cabs fulfils its social mission of "helping wheelchair users lead brilliant and fulfilling lives" by providing quality, caring point-to-point transport services, and adding social value across its interaction with clients. Fun events, such as the Diamond Sedan Competition - a wheelchair race organised with community and corporate involvement - serve to engage the wheelchair-user community, the general public and businesses while publicising the transportation service.



www.sv-hk.org



To date, Diamond Cabs has recorded 21,000 wheelchair-user bookings. Accessible taxi social enterprises also operate in Taiwan and Singapore, with plans for expansion into China. Each has been supported by early stage philanthropy or social investment.

Given the commercial sensitivity of SVhk's equity investments, Francis does not disclose the fund's size or details of individual deals, but he admits the equity investments would typically be in "the range HK\$100,000 to a few million (\$13,000 to \$250,000)". Almost 80 percent of SVhk's funds are raised from family foundations and individuals in Hong Kong, with the remainder coming as corporate gifts and consulting services.

Despite the often-voiced frustration that there are not enough investable social enterprises, Francis is confident that SVhk has a good pipeline of prospective investments. But he feels that the social enterprise space must grow bigger to satisfy the capital available from other social investors and meet societal needs. He clearly sees too much impatience with some investors, with the possibility that "after two or



three years, they leave the market with no successful investments". SVhk takes a longer term view and is active in helping build and shape the fledgling social enterprise culture in Hong Kong. While the number of social enterprises in Hong Kong has mushroomed in recent years, many have their origins as income-generating arms of established, social care, non-profits, which find it hard to shake off grant dependence and be truly entrepreneurial and competitive. Only more recently are social businesses being developed from scratch by entrepreneurs who want to maximise sustainability and social impact.

Reflecting over the first five years of SVhk, Francis feels that mobilising and inspiring young professionals has been key to its success. "Whether an individual volunteering a few hours a month, or an executive leveraging his or her company's resources for a social enterprise, this has been my greatest satisfaction," says Francis.

Ever the marathon runner, Francis views the expansion of social enterprise in Hong Kong as a race, which he honestly expresses as comprising both 'good' and 'bad' quality enterprises. He sees a

growing credibility crisis for the sector, where the brand of social enterprise is being captured by unsustainable business models and big businesses masquerading as 'social'. He views this race against time as critical for the future of social enterprise on the island, with SVhk having a vital role to play in both backing winners and influencing public attitude through its field-building initiative, the Sonova Institute (See Chapter 6).

New Day Asia

While an HR professional in her native South Africa, Liza Green gained her first experience of giving circles, recalling “we all gave money every month which was distributed in the townships to charities that worked with young people; it was very small but I always thought that it was an amazing concept”. After relocating to Hong Kong in 2002 she met her partner to be, Chris, an American working with Citi, who is now HSBC’s head of export finance for Asia Pacific. Liza and Chris started a family in Hong Kong and she readily acknowledges that as a couple they have done well professionally. “We’ve been very lucky and we have a good life, but we knew of a dark undercurrent of poverty in Asia, and wanted to respond by giving intelligently.” The couple were particularly troubled by the sex trafficking industry that blights so many of Asia’s poorest countries. Liza spent time researching the issue and the idea of a giving circle, which became New Day Asia, crystallised over a period of time in which the couple set up a working proposal that they presented at an informal dinner with eight friends in March 2007. One of the members, a lawyer, helped the initiative become incorporated as a private company with tax-exempt status in Hong Kong. In preparation, Liza had contacted the local office of the Asia Foundation asking them to suggest a project the circle could support with a \$10,000 donation. Membership grew organically, through dinner parties, word of mouth and the odd article in the island’s financial press. Members pledge minimum monthly contribution of HK\$500 (\$65). The average donation tends to be higher, with membership currently committing

a total of around \$64,000 per year. The relatively low price point for members, however, keeps the circle accessible to any salaried professional in Hong Kong, and the regular pledges help manage cash flow and forward grant commitments. In five years, the group has grown to more than 80 active contributors. New Day members are generally expatriate professionals but many are Hong Kong permanent residents who will remain in the territory long term. In the last financial year, \$52,000 was donated to projects in Cambodia, India, China and Nepal.

New Day Asia has also managed to increase its giving impact through generous co-funding from corporates. “Two Hong Kong legal firms, with ties to circle members give generous annual donations,” says Liza. “Their donations have almost doubled our membership contributions, and we provide a philanthropy service for them that they don’t have in-house.” New Day Asia provides such corporate donors with project site visits for their staff in addition to progress reports. In addition, individual members and non-members make one-off donations raised through birthday parties and percentage contributions of their income from small businesses.

Each year, members gather twice to decide what new projects to support, although Chris and Liza remain the legally responsible decision makers on the disbursement of pooled funds. Liza explains: “If we fund anything new, then a member must take that project on as champion. Ideally we want to support no more than four or five projects because that’s what we can comfortably manage



www.newdayasia.org



New Day

www.newdayasia.org

as volunteers. But if a member feels very strongly about something and comes to us saying, ‘Look this is what I’ve done; I’m ready to lead the project, do the report and go there once a year’- then we’ll strongly consider that.” New Day Asia relies entirely on its members volunteering their time for its day-to-day running. Deciding not to pay for any professional administration or project management support clearly places limitations on what the giving circle can achieve, but Liza is adamant that leveraging the time and enthusiasm of the circle’s members is a key value of the initiative. “The volunteers who are giving their time find it very fulfilling,” says Liza. “It’s easier for people who are not working in full-time jobs, so they have the time to do it. For me it’s the most fulfilling thing I’ve done apart from having children; I don’t think you can get this kind of satisfaction in a job.” Liza is adamant that the model works “because we have no costs, we don’t have to make a certain amount of money and we don’t have to worry about covering anything. Of course we’re limited in what we can do but we’re not bound by any financial targets that have to be met or costs that have to be covered.”

The project management burden rests largely on Liza, but increasingly on other members with the time to get involved day-to-day. A recent site visit to Cambodia took place without either Liza or Chris directly involved, an encouraging sign that the group can be sustained without reliance on one or two individuals. Liza is pragmatic about the extent of involvement individual members can have in the supported projects in the pressurised lives of Hong Kong's professionals, even though such personal engagement was a core aspiration when New Day Asia launched. "We always emphasised member involvement. For example, we've had help with our website: one of our members made project visit videos that are online, we have volunteers arranging site visits, and now, we have three members overseeing a specific project each. They found the project, came back to the group, completed the due diligence, and we are now funding it. We have a member in charge of accounts, and a legal person doing all our company reporting." Liza is reluctant for New Day Asia to hire any professional staff, but sees a core value in keeping costs as low as possible and meeting the organisation's administrative and project management needs through group member volunteerism.

Liza recalls one of the group's earliest donations, which remains a continuing relationship. LOVEQTRA Sengchemdrukmo Girls Home is a registered non-profit organisation in China, situated on the remote Tibetan plateau. The home offers protection to young girls rescued from domestic slavery and abuse. One of New Day Asia's members had a personal connection with the Home's founder and brought the Home to the group as a potential project. After evaluation, New Day Asia offered an initial grant of HK\$98,000

for refurbishment work at the Home, with follow-up grants being given for other capital expenditure in subsequent years. Recently one member collected a large quantity of winter clothing from her children's school and there are plans to finance a vehicle for the Home. Liza notes, "So it's an on-going relationship, where we've been helping a very small non-profit with little access funding, but the relationship is there and it's very fulfilling on both sides."

New Day Asia is a small fund with relatively modest resources, but leverages skills and money through its members and carefully chosen co-funding partnerships. Funding for the Tibetan girl's home was matched by a grant from Silvercrest Foundation, the philanthropic arm of a Hong Kong-based family office. "Silvercrest Foundation was just launching," says Liza, "and were looking for some projects." Liza views their projects as highly relational, and while non-profits are held to account for the grants, there is a flexibility that comes from being a small and un-bureaucratic grant-maker. "There is often an expectation of extensive reporting from funders, but once you begin to work with these grassroots NGOs and visit them, you understand the challenges they face from a manpower perspective. The sensitivity of the LOVEQTRA project and the very real communication challenges of its location were factors we had to consider. Because of our longstanding relationship with the home, we could help Silvercrest understand the reporting context." Liza is pragmatic: "We expect a high level of reporting but when you go there and meet the people and see what they do, you become a lot more patient."

In 2008 ADM Capital Foundation (see their profile above) seed-funded the

launch of the Kalki Welfare Society in Pondicherry, India, a child protection initiative for street children in the city. Liza explains that with ADMCF taking a lead on the drop-in centre, "it was a perfect match for us to fund a night shelter for the girls who were sleeping on the floor of the centre because they couldn't go home". Additional financial support came through the Hong Kong offices of Linklaters and in 2010 New Day Asia organised a visit for nine of the law firm's staff together with five members. Liza explains, "We spent a day and a half very practically by repainting the night shelter, and took time to see how our grant was used. We did a lot of activities and games with the girls there. It was a very rewarding experience for the party." Liza acknowledges that painting is not a core transferrable skill of corporate lawyers, but the point was to help them connect very tangibly with the work they had funded.

Liza believes active membership contributes to the philanthropic journeys of individual members: Liza recalls one entrepreneurial member who "started up a jewellery business that features lines from non-profits in Cambodia. She approached Daughters of Cambodia through us to get some of her designs made and now gives a portion of her earnings to New Day Projects."

Liza wants New Day Asia to remain focused on abused women and girls rather than seek projects with a broader mandate. She feels the model works well and would like to see it replicated in other Asian cities: "I'd like to see a New Day Singapore, a New Day Jakarta, and so on; different cells run by people who wanted to do that, working independently from us in Hong Kong, but perhaps using our ideas and guidelines. We've created this structure; we just want people to use it."

Dasra Giving Circles

In Sanskrit, Dasra means “enlightened giving”. Few individuals have done more to transform the modern face of enlightened giving in India than married couple Neera Nundy and Deval Sanghavi, founders of Mumbai-based Dasra. Neera and Deval, whose families originated from India, were brought up and educated in North America. After university, each began careers in investment banking. Meeting at the New York offices of Morgan Stanley, and linked by a common heritage, they often thought about how their business skills could be used in the Indian charitable sector. In 1999, Deval put his banking career on hold and moved to India to volunteer with a number of Indian grassroots organisations. This was a formative period in Deval’s understanding of how organisational weaknesses held back non-profits from fully delivering their social mission sustainably and to scale. A year later, Deval, with backing from Indian investment professionals launched the country’s first venture philanthropy fund – Impact Partners, providing a blend of consulting advice and growth capital to a small cohort of promising non-profits. Realising that investment banking was a great background, but not their long-term ambition, Deval teamed up with Neera in 2003 to launch Dasra. “We saw our mission as building on what was learned at Impact Partners,” recalls Deval. “We saw the need to provide capacity building, support and managerial assistance to enable organisations to reach scale. But we knew too that the issues were broader than just working with individual organisations. The ecosystem for matching capital and

the best non-profits needed to be developed, otherwise our efforts would just be a drop in the bucket.” That was farsighted and in 2009, Dasra built on its reputation and experience as a provider of technical skills to launch Dasra Social-Impact, an executive education programme for a new generation of India’s non-profit and social business leaders. “For five years we’d done much of our capacity building activity as contractors to small and medium donor agencies., This was at times frustrating,” recalls Deval, “because they often underestimated the amount of consulting time we needed with an NGO to affect significant organisational development.” Deval adds, “At the same time we saw the need to mobilise a much broader group of Indian philanthropists than the few we were working with - making it exciting for them to give with impact.” Over the next two years, the groundwork was laid for what was to become a powerful initiative of Dasra, the Indian Philanthropy Forum, launched in 2010. The Forum has grown to become a community of strategically minded givers, who through thought leadership and research-based action are creating a platform for the development of modern philanthropy in India.

Dasra Giving Circles emerged out of the Forum to become India’s largest collaborative giving effort. Initially the circles comprised 10 individuals, with each person donating 1 million Indian Rupees (\$20,000) per year for three years. This arrangement created a pool of 30 million Rupees (\$600,000) in each circle. Eighty-five percent of this capital is deployed as expansion



www.dasra.org



grants to the NGO. The remaining 15 percent is used to cover the cost of Dasra delivering 250 days of non-financial support through mentoring and technical advice, to each investee over the three-year funding cycle. This model is probably the largest ticket size and pool of capital available to individual non-profits of any giving circle model globally. Dasra has plans to increase the commitment size in future circles, and believes that there is an encouraging pipeline of Indian philanthropists willing to sign up to future circles.

Search and selection of investees is a rigorous, research-based process. It starts with Dasra’s advisory research team performing a comprehensive mapping of a particular social sector. These are published as leading market analysis documents, which alone contribute to sector knowledge. A Giving Circle is then formed around each sector analysis together with a shortlist of three non-profits which research has shown are making innovative efforts to address the chosen social issue, and have a scalable business model. The initial task of the

Dasra Giving Circles

Circle is to choose one of the three shortlisted candidate investees for a three-year intensive support.

Dasra has completed sector research and is forming Giving Circles around five pressing and complex social issues in India:

- Education of girls
- Improving Mumbai's public schools
- Child malnutrition in urban slums
- Empowering adolescent girls
- Enhancing youth employability

Dasra Giving Circle II – Making the Grade: Improving Mumbai's Public Schools. Underpinning every Dasra Giving Circle is a thorough research study on the topic of potential interest. To investigate how private philanthropy could contribute to systemic improvement in the educational outcomes of Mumbai's public schools, Dasra committed six months to detailed interviews with academics, non-profits and the city's municipal authority. Without any guarantee that the research findings would lead to a philanthropic initiative, Dasra first requires a strategically minded funding organisation to meet the upfront cost of a rigorous research study. In this case, Godrej Industries, an Indian industrial conglomerate, sponsored the research. Twenty-five percent of shares in Godrej Group's holding company are held in charitable trust and each component company has an active CSR programme. Forty percent of Mumbai's one million children attend private, fee-paying schools because of the perception of a better education and access to teaching in the English medium. Consequently the city's public schools educate the most marginalised children from poor homes, incentivised by a free midday meal and the low cost of attending. In Mumbai there is a 40-year history of private-public partnership where independent, - NGOs collaborate



with MCGM (the municipal authority responsible for education). Dasra's research team found that 117 NGOs had active partnerships with MCGM, but only nine stood out as having high quality, innovative models. The team went on to map the programmes of these high-potential NGOs in terms of scalability and quality of educational outcome, and recommended the critical factors most likely to create a robust, urban school system. Dasra's published report – Making the Grade – focused on how the quality of educational outcome could be improved through enhanced private public partnerships, and recommended a clear role for strategic philanthropy by investing in the most effective NGO to develop a scalable, institutionalised model adopted by the municipality.

Based on evidence from research, Dasra now had an understanding of the sector, the preferred intervention pathway (private public partnership) and a shortlist of pre-screened, high-potential NGOs. Philanthropists known to Dasra were invited to participate in a Giving Circle that would aim to improve Mumbai's public school system. Attracted by a passion for the sector and the rigor of Dasra's research, 12 individuals (including three couples) formed the Making the Grade Giving Circle in 2011. All were some way along their personal philanthropic journeys. Half had commercial investment or industry-building backgrounds. Others

represented the charitable side of well-established family offices. One place was taken by a charitable foundation with technical expertise in the education sector. The majority were Indian nationals.

With a Circle established around a researched issue and a shortlist of screened NGOs, Dasra facilitated discussions with the group members to select one NGO to support. In January 2011, the Group decided to back Mukhtangan, an NGO that had successfully incubated an integrated teacher education programme that enables women from low-income communities to provide high quality English-medium education. Dasra and the circle members worked with Mukhtangan's senior management to set out a mutually agreed vision for growth and key performance indicators, together with the resources Dasra and the Giving Circle would commit to the partnership. The goal is for Mukhtangan to become an accredited teacher training institute that will provide sustainable careers to women and by consequence, improve the education outcomes for thousands of Mumbai's poorest children. After one-year of support, Dasra had disbursed \$140,000 in grant aid against performance milestones, coupled with 80 days of active consulting support. Individual members of the Giving Circle also contributed their personal time, skills and opened their networks to the NGO.

Dasra has adapted the Balanced Scorecard™ performance measurement tool to provide quarterly reporting to the Giving Circle, giving them regular insight into Muktangan's progress against targets and an early warning of issues that might affect the business plan. Three out of four key performance indicators had been met or exceeded at the close of the first year, placing the NGO well on track for the following two years of Dasra investment. Strong progress in developing the teacher education programme during the year resulted in Muktangan attracting significant new funding from other donors, a leveraging effect often seen in the venture philanthropy model.

"The contribution of Giving Circle members was important for us," says Suman Dasgupta, Muktangan's head of planning, "by building relationships with important people inside and outside of government. It helped our advocacy and networking effort become visible." Dasra's consulting inputs have also been valued by "helping us become stronger in key areas like human resource practice, impact assessment," adds Suman. "Dasra staff and Giving Circle members became our friends and champions, something we valued most of all."

Luis Miranda is a private equity professional. He and his wife, Fiona, were eager to join the Circle, because "we got the chance to interact with other donors and discuss issues in a group, as opposed to doing it alone." The couple was able to engage directly with the Muktangan team in supporting the NGO's operations. "I have been helping them get the teacher training programme registered and connecting them to schools," says Luis, "and my wife has developed a sex education curriculum with the programme team."

Luis and Fiona feel that participating in the Giving Circle is an efficient and intelligent use of their time, talent and money: "the Dasra team send us updates and facilitate meetings. Working in private equity, I relate well to this high engagement model of supporting an organisation."

Another Circle member, Nakul Toshnival, manages the family's scientific instrumentation company. Nakul says he has "a higher comfort level" funding an NGO, "because it has been evaluated by Dasra in terms of quality of the management team, the potential to scale up and potential social impact". Nakul readily admits he is at the early stages of his own philanthropy journey and values the circle in providing "a networking opportunity to help me understand a broader range of issues and how other donors look at their philanthropy".

Luis and Nakul strongly support giving circles as a good model for Asia. "Seeing giving circles develop in other parts of Asia would be great," says Luis, "The Dasra team analysed a sector

thoroughly, identified the key players, brought a group of donors together and, finally, got the donors to pick an NGO in a transparent manner."

Muktangan's co-founder, Sunil Mehta, has experienced the value of giving circles from both sides. While Muktangan was being actively supported by Dasra Giving Circle II, he decided to join another that was just being formed, as a philanthropist: "Having seen the quality and diligence of Dasra's work, it offered me the confidence level I needed to allay my own anxieties about making larger donations than I had given in the past," says Sunil. "I learned a lot more about philanthropic assessment of programmes from the group discussions, and felt I could equally contribute from my 10 years' experience of working in the social sector." However Sunil adds a note of caution: "Without the strengths and competency that Dasra brings to coordinating the Circles, I feel collaborative giving could end up with many problems." Clearly this is a model that must be implemented well, or not at all.

Dasra's Impact

Over 14 years Dasra (formerly Impact Partners) has pioneered venture philanthropy, executive education for social entrepreneurs and created a wide-reaching platform for philanthropy development in India. Its achievements include:

- Enabling \$20 million to be channelled to non-profits and social enterprises in India.
- Supported the growth plans of 500 non-profits and social enterprises.
- Engaged over 500 HNWIs to provide information on strategic philanthropy.
- Launched five Giving Circles with committed funding of more than \$3 million.
- Launching three more Circles in 2012 around employability, rural livelihoods and sanitation.
- Studied over 1000 Indian organisations and published seventeen sector research reports.

ARUN

“The traditional framework of international development assistance, in which wealthy countries support poor countries, is not sustainable, either in a sense of partnership, or concept of ownership. That’s why we need social investment in the field of development assistance,” says Satoko Kono, the founding president of ARUN.

ARUN was established as a social investment fund in December 2009 by Satoko Kono and ten other partners. ARUN, which means “dawn” in Khmer, started with 16 million yen (\$206,000) of seed capital, and went on to raise a further 62 million yen (\$791,000) from corporate and individual investors. By July 2012, it had invested in four Cambodian social enterprises. ARUN is unusual as a social investment fund because of its international development focus, as well as a partnership model that raises small funds from a large number of investors.

Satoko started her career as a researcher in a pharmaceutical company and later she joined Asian Rural Institute, an NGO that cultivates leaders in agricultural and community development in rural Asia and Africa. After that, she worked in Cambodia from 1995 to 2005. “I initially thought I would be staying in Cambodia for two years, but I ended up staying for 10,” Satoko recalls. She has worked for a number of projects with Japanese NGOs and JICA in collaboration with local non-profit leaders, which helped her see the potential of local entrepreneurs in development, as well as the importance of social investment to support them.

At the end of 2008 when she returned to Japan after studying for her M.Sc. degree in London, Satoko received an email from Yang Saing Koma, the president of CEDAC the Cambodian non-profit she had known in Cambodia.

CEDAC helps local organic rice farmers by purchasing their produce for sale on the international market. In 2008, however, an investor withdrew a planned investment because of the financial crisis, and CEDAC needed to find an alternative funding source to fill the gap to purchase organic rice from the farmers. Responding to Koma’s request, Satoko established Social Investment Fund for Cambodia (SIFC) in February 2009 and provided him with an investment of 2 million yen (\$21,000) raised from 33 investors. “Koma is a rather reticent person, however, he has an outstanding capability to execute projects,” says Satoko, “In my 10 years in the country, I have never seen a person like him among any other Cambodian non-profit leaders..”

SIFC was supported by highly skilled Japanese volunteer members with a wide range of expertise – including consulting, banking, corporate finance, microfinance and the social sector.

SIFC was restructured into ARUN as a limited liability company in December 2009, with the vision to “creating a society that brings every person’s ability into full play regardless where he or she is born”. Arun’s strategic target group is the ‘missing middle’ of the investment market in developing countries. They believe that investment with social impact most benefits the local economy



www.arunllc.jp

ARUN

and people. In Cambodia, large companies and micro enterprises are financed by conventional investors and microfinance organisations respectively. However, there is a lack of financial services available to small and medium-sized companies, which have an unrealised potential to develop socially impactful business models.

ARUN provides investment services to selected social businesses. ARUN screens the investment proposal by assessing its social impact as well as conventional business criteria, such as returns from investment, business models, governance, leadership and financial status. Besides making investments, ARUN holds seminars and workshops in Japan and Cambodia for the general public to learn about social investment, as well as organises study tours to Cambodia.

Partnership is at the heart of ARUN’s business model. Each ARUN partner gives 0.5 million yen (\$6,400) as a unit of investment to join the organisation, in addition to volunteering their time. ARUN has three full-time staff, including Satoko, in Tokyo and one in Cambodia to support the investees’

business operations. “In this phase of organisational development, we need talented partners who enjoy helping build new organisations in a challenging environment. The partner’s commitment and engagement is critical for ARUN,” says Satoko. “The more a partner commits, the more he or she can learn from the activities, and enjoy the process of activities as part of a positive cycle. Nothing is more exciting than ARUN’s environment, where partners can work on different challenges with the chance to make things better, and with great people who have a common goal,” she adds.

ARUN has four companies in its current portfolio of investees, including CEDAC, Arjuni International Ltd., Perfexcom and Frangipani Villa Co, Ltd.

Arjuni is a fair-trade beauty product enterprise founded by Janice Wilson

in 2009 to manufacture and sell hair extensions. Arjuni sources hair from rural women, manufactures them into hair extensions at its factory in Phnom Penh, and then sells the products online to customers in the U.S. and Europe. Arjuni enhances the self-sustainability of vulnerable, low income women through job creation. Ninety-five percent of its 87 employees are women, many of whom are orphans or victims of human trafficking. By purchasing hair directly from the women themselves at a fair price, Arjuni helps promote the empowerment of Cambodian women. Moreover, Arjuni pledges to donate ten percent of profit to local non-profit organisations that work for human trafficking and prostitution issues.

One challenge for ARUN is its own financial sustainability. Today ARUN is supported by over 80 individuals and one corporate investor. ARUN also

receives grants from foundations and income from the Japanese government for research on bottom-of-the-pyramid markets, which cover a part of overhead costs.

However, to make ARUN’s business model sustainable from investment, the size of assets needs to be at least 300 million yen (\$2.5 – 3.9 million). Based on present membership fees, ARUN would need around 500 partners. It would therefore be challenging to manage such a large pool of partners using the present membership model.





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Making Philanthropy Strategic



The preceding chapter, with its emphasis on venture philanthropy and impact investing, may give the impression that such fashionable models of giving somehow replace or are superior to more traditional forms. This is not the message we wish to convey. One of philanthropy's great strengths is the diversity that comes from multiple models and trajectories of giving and investing. It is not a one-size-fits-all sector. Just as funding in the commercial world is highly diverse, with multiple capital providers active across the whole spectrum of business opportunities, from early stage start-up to multinational mergers and acquisitions, so we need such multiplicity of capital and styles in the social sector. Private philanthropy (in all its forms from the giving by the general public to funds from large, professionally managed foundations), the government and the private sector are all necessary players in providing the funds and expertise for wide-scale social transformation. Philanthropy will develop its own identity and form across the many countries that comprise Asia, influenced by a blend of local context and global trends, and the individuals, families or companies whose resources are being gifted for the common good. The American private foundation sector is arguably the most developed and innovative in history. Many of the people we interviewed for this study had experienced the culture of American philanthropy through work and travel (and a smaller number had exposure to European philanthropy), which had clearly contributed to their own knowledge, attitudes and practices. It has taken 100 years to shape modern American philanthropy, from its beginnings in the first two decades of the 20th century. Few have reflected on the nature of private

philanthropy in the U.S. more astutely than Joel Fleishman. His book on the Foundation - what he calls the "great American secret" – contains a retrospective view across the century that is instructive as we ponder what directions philanthropy in Asia will take in the next 25 years (Fleishman, 2007).

The philanthropic foundations created by Carnegie, Rockefeller, Harkness and Sage during the first two decades of the 20th century, grew and established a pattern for giving emulated by the many thousands of foundations that followed. Forty-nine foundations had assets exceeding \$1 billion by 2005; and the number of foundations with \$1 million in assets doubled in the 30 years between 1979 and 2009, as American wealth grew and sought philanthropic outlets.

In 1914, the foundation's first evolutionary step was creation of a community foundation in Cleveland, which aggregated the contributions of many, less wealthy individuals, and focused on geographically-localised charities. By the end of the century, there were more than 700 such community foundations, with combined assets of \$38.7 billion, dispersing \$3 billion annually. Out of this locality-based movement grew 'donor-advised funds' whose open-ended nature did not tie down their charitable purpose at establishment. Further evolutionary steps included community-of-interest foundations – such as those serving religious, ethnic and racial communities. And finally, corporations established their own charitable foundations, starting in the 1950s with General Electric, IBM and AT&T. Today, this is a large sub-sector of the foundation world, with many corporate foundations created with

endowments or with profit-related annual donations. Towards the end of the 20th century, notes Fleishman, the rare but powerful phenomenon of the foundation merger arose to bring new synergies and economies of scale to foundation operations. As the century closed, the evolutionary process resulted in venture philanthropy and social entrepreneurship, driven by what Fleishman calls "very impatient" wealth-creating entrepreneurs and celebrities, that will "gradually come to dominate philanthropy" in the 21st century.

This long, evolutionary process of American philanthropy is being played out on a compressed timescale in Asia, where modern forms of giving are much more recent and can stand on the shoulders of philanthropic traditions of the U.S. and Europe, adapting what is useful and rejecting what is not.

In this section we look at philanthropies in Asia that have a broader, grant-making mandate than those more exclusively focused on a venture philanthropy or impact investing, but are shaping an approach that goes beyond routine grant-making. We have termed this 'strategic philanthropy' in this study, to try and capture these innovations in Asia. This is not a perfect term. In other contexts strategic philanthropy is used synonymously and confusingly with venture philanthropy. Others have noted that all philanthropy should be strategic, for to be otherwise is interpreted as not having foresight or long-term impact. For this study we are using strategic philanthropy to denote grant-making that does not fit within the niche, specialist funding of venture philanthropy or impact investing, but which is committed to innovating with

the goal of bringing greater, long-term impact to the practice of philanthropy and thus wider benefit to society.

First, we look at how three grant-making foundations have adapted to the demands of a changing world, by becoming more entrepreneurial, committed to measuring success on social outcome, more collaborative and committed to building the field of philanthropy as well as the quality of their own operations. Lien Foundation is a professionally-managed family foundation in Singapore actively governed by family members since the passing away of its founder, Dr Lien Ying Chow. Zuellig Family Foundation evolved out of the disparate corporate social responsibility programmes of the family's business conglomerate in the Philippines. However in the last five or so years, the Zuellig family's expression of giving has very deliberately shifted from the group of companies to the family's own philanthropic vehicle. This gives the family members more direct control of their philanthropy, the setting of expected outcomes, and a longer time horizon without the unnecessary complication of potential conflicts with the companies' business objectives. Tote Board is a Singaporean grant-maker that receives its income from levies on the island's gaming industry. Innovation in all three foundations has come from intrapreneurs, executives or family members, who recognised that its mission is only fulfilled through continuous improvement and the risk of experimentation.

Second, we examine the unique set of opportunities when setting up a private grant-making foundation in the challenging context of modern China. In the 'Wild East' of today's philanthropy landscape in China, with a unique mix of cultural, political and

social factors at play, it takes vision, courage and foresight to set out on the philanthropic journey. In just five years, YouChange has become synonymous with innovation, focus and transparency.

Third, we look at a phenomenon that has barely made a scratch on the philanthropy landscape in Asia, but which offers enormous potential for strengthening communities and fostering a giving culture. Community foundations, once an American phenomenon, are growing rapidly in parts of Europe but are only beginning to develop in Asia. Community Foundation of Singapore is one of the pioneers of locality-based philanthropy in Asia.

Fourthly, we see how collaboration in private philanthropy strengthens the response to natural disaster. The 2011 Tohoku earthquake in Japan prompted many philanthropic responses, domestically and internationally. We profile an unusual philanthropic partnership between U.S. and European foundations with a local credit union to assist with post disaster economic recovery by supporting small businesses.

We close this chapter with the initiative of a new media entrepreneur to document the rapid changes in Chinese society through supporting independent documentaries: a use of grant-making that is both bold and strategic.

Innovation from Within

Lien Foundation is 32 years old, established 15 years after Singapore's independence by banking entrepreneur, Lien Ying Chow, who donated half his wealth to philanthropy. Under the

intrapreneurial leadership of its current CEO, Lee Poh Wah, the foundation has built on three decades of experience to become determinately more radical in its philanthropy (**See Profile: Lien Foundation, p. 82**). The foundation continues to be a direct funder, but now catalyses social innovations through research partnerships and engaged relationships with operational non-profits. Lien is a family of interrelated philanthropic entities, including an international development arm (Lien AID) and the Lien Centre for Social Innovation, a strategic partnership with Singapore Management University.

Lien Foundation's website reminds us of the Chinese proverb, "When a tiger dies, he leaves his skin; when a man dies, he leaves his name." Indeed Lien Ying Chow gave his name to the foundation. His personal story, literally one of rags to riches, speaks of one of the most successful business entrepreneurs of his generation, a noted diplomat and educationalist (Lien, 1992). His story is also one of profound generosity throughout his life, and well before he became wealthy he was donating a portion of his modest income to education. Today the foundation's board includes several family members. Perhaps there is also something of the tiger's skin remaining in the foundation, for the organisation's entrepreneurial drive and restlessness in pursuit of impact, is close to the personality and values of its founder. It is never easy, after the passing of a founder, for trustees to know and promote 'the settlor's wishes'. The current board and its CEO know that for Lien Foundation to remain true to its founder, it must continue to innovate and push the boundaries of grant-making in Singapore.

The Zuellig family originates from German-speaking Switzerland but has made the Philippines the centre of their commercial interests for three generations. Today, the family's healthcare company is one of the largest privately-held industrial businesses in Asia. For five decades following the Second World War, the Zuelligs focused their attention on rebuilding the business, which had been impacted by the trauma of war. From the 1990s onwards the family placed greater emphasis on philanthropy, initially prompted by a humanitarian response to natural disasters. Over 15 years, the family's philanthropy evolved from being channelled through the company to a direct expression of giving through a newly-established family foundation. Cut from the complexities and potential compromises of business-based giving, the family has established a canvas on which they can experiment with philanthropy that is focused and strategic, while leveraging the wide and deep networks that a century of business development in the Philippines can bring **(See Profile: Zuellig Family Foundation, p. 84)**.

Besides being the world's fourth leading financial centre, Singapore vies with Macau and Las Vegas as the global leader in casino gambling. The decision of the Singapore government to lift a 40-year ban on casinos led to a rapid development of the industry, attracted gambling tourists in large numbers, and diversified the economy. Levies on casino entry fees, together with surpluses from other gambling activity on the island provides income for the Singapore Totalisator Board (Tote Board), which is both a gaming regulatory body and grant-awarding fund. Given Singapore's well-earned

reputation for lack of corruption in business and public service, Tote Board upholds these values in its gaming oversight.

It treads cautiously, therefore, as a grant-maker. However that has not held it back from being innovative **(See Profile: Tote Board, p. 87)**.

Philanthropy in the Wild East

Singapore's culture of giving has matured since the rapid post-colonial economic and social development of the island nation over the last 40 years. At the time Mr Lien had the foresight to endow his foundation; China, by contrast was just emerging from the economic and social shock of the Cultural Revolution. Before 1988 there were no regulations in China governing civil society organisations; the concept of a non-profit entity was virtually non-existent, apart from those organised by the Communist Party or State (so-called 'Government-Organised Non-Government Organisations' or GONGOs). Amity Foundation was one of the first foundation-like entities registered in China, after the government encouraged experimentation with charitable giving. Amity Foundation was established in 1985 by the authorised Chinese church as a response to the widespread poverty resulting from the Mao Zedong's social and economic experiments of the Great Leap Forward and the Cultural Revolution, and is today one of the largest and most respected charitable foundations in China. This turbulent period had a formative influence on a young student, Wang Ping. At the age of 16, she was assigned to teach high school in Beijing during the Cultural Revolution. Many years later, after a successful career in public service and the private sector, whilst visiting a rural

village to support students, she started to ask what would be a "better and more effective way" to invest in rural education. In 2007, Wang Ping set up the China Social Entrepreneurship Foundation (later known as YouChange – see profile), inspired by the impact of social entrepreneurship around the world. YouChange uses strategic partnerships (including those with the British Council and Peking University) to help nurture this budding field in China. The foundation deploys risky angel-type capital to support fledgling non-profits, and has leveraged its grassroots networks to build capacity for disaster relief response. As a recognised leader, after only five years of operations, YouChange is today promoting 'new philanthropy' for China **(See Profile: YouChange, p. 89)**.

YouChange signals what is one of the most important and exciting developments in Asian philanthropy – the emergence of the private foundation sector in China. In a typically Chinese way, this sector will move fast, adopting and adapting from Western experience and practice, within the constraints of the Chinese socio-political system. The foundation sector will have to grow up quickly if it is to match the challenges of wealth disparity and the environmental pressure of industrial growth. China Foundation Center estimates the number of foundations in China to be 2,882 (at November 2012), split almost between 1,291 'public offering foundations' (that are permitted to raise money from the public) and 1,591 non-public offering foundations (that are endowed by individuals and use investment income – effectively 'private foundations'). Eighty-five percent of endowed foundations were registered after 2004, when new

legislation came into force encouraging private foundations. China Foundation Center (which is profiled in Chapter 6) has introduced the term 'Civil Foundation' to denote those initiated by an individual or enterprise, and operated independently of government. Corporate, family and locality-based foundations make up the bulk of this group, numbering 873 in November 2011. Of these, the majority (92 percent) are registered as private foundations under Chinese law. In 2010, the year for which the latest financial information is available, 609 Civil Foundations had an aggregated asset base of 8.7 billion RMB (\$1.4 billion). Several are highly progressive, internationally-recognised and commit resources, like YouChange, to building the field of philanthropy as well as funding non-profits or operating their own social development programmes. There is a long way to go to build the foundation community. In wealth terms, the sums are still relatively modest – in 2009 the 1,288 largest foundations held assets of 39.9 billion RMB (\$6.4 billion), just 11 percent of the asset base of the Bill and Melinda Gates Foundation in the U.S. Almost all Chinese foundations, whether public or private, are operating foundations, which directly implement programmes, rather than grant-making intermediaries that fund others. Grant-making is still a relatively new concept in China, unsurprising given the historical lack of quality non-profits and social enterprises.

Few people in China today have the breadth of experience of the emerging private foundation sector than Zhuang Ailing, who after a period with Amity Foundation established the Shanghai NPO Development Center. In 2010 Zhuang led the executive team that initiated China Foundation Center.

Zhuang detects an important shift in the private foundation sector, believing it is beginning to acknowledge an ever-growing number of non-profits with high quality programmes. "About half of the 450,000 social organisations in China deliver some kind of social service," she says, "and as the government outsources more services in health and education, there is a role for them and for foundations in the ecosystem." Zhuang, who today runs the Rende Foundation, believes this move by private foundations towards partnership with non-profits is a strategic one for the sector as it matures. "As foundations become 'initiators' and grant-makers, rather than operational," she says, "it helps build the philanthropy system." From her base in Shanghai, Zhuang thinks the city is well positioned to experiment with another innovation – Community Foundation. The history of Shanghai as the bustling city of commerce, a melting pot of migrant entrepreneurs led to many localised, community-based support groups and trade associations, which could form the basis of the next evolution of Chinese philanthropy.

Community Foundations

Community foundations most typically manage funds donated by individuals, families and businesses in a local community, building a lasting endowment and acting as the link between donors and local needs. They usually operate a number of optional funding models that allow donors to specify how, where and over what period of time their money is utilised¹³. From their origins in the U.S. a hundred years ago, community foundations are now a global movement of 'give where you live', although most vibrant growth has been restricted to Europe over the

last decade. Their development in Asia remains sluggish, and according to the annual Global Status Report on Community Foundations, activity is limited to a handful of Asian countries (WINGS, 2012). Australia and New Zealand together have the largest number, totalling 31 community foundations, with assets of \$136.3 million. India has seen recent growth in numbers from 2008 - 2010, up from seven to 16 foundations, but data on these is scant. There is also activity reported by WINGS in the Philippines, South Korea, Thailand and Singapore, but so far, community foundations are not the phenomenon they are in North America and Europe. The Global Fund for Community Foundations supports their growth through a seed fund programme. Its Director, Jenny Hodgson, is sanguine about their development: "Although the numbers of community foundations in Africa and Asia are still relatively small, with the majority still very young, we are starting to see clear signs of dynamic growth and the emergence of a real sense of a 'sector' in a number of countries. Not only are individual community foundations, which themselves may have emerged out of very different circumstances and processes, starting to link up with each other and see the value of shared learning and networking opportunities, but other types of local foundation initiatives - ranging from 'home grown' community philanthropy institutions to 'corporate community foundations' - are also being drawn into the mix." (WINGS, 2012).

¹³ *The most typical funding instruments are Donor Advised Funds, Flow-Through Funds, Designated Funds and Unrestricted Funds*

Stanley Tan is a Singaporean media entrepreneur whose sense of commitment to local community goes back to his childhood. As chairman of Community Foundation of Singapore (CFS), he sums up its role as being “all about community development”. In just under four years since start-up, CFS now manages \$28 million of local donations including 37 donor-advised funds, and has built an endowment of \$10.4 million. These are not large numbers for a country where one out of every six households has \$1 million in disposable wealth, but the key success for CFS will be to harness that wealth for the benefit of those in the island community that live on the margins **(See Profile: Community Foundation of Singapore, p. 91)**.

The biggest community foundation in Australia by asset size, is the Australian Communities Fund. This was initiated in 1997 as the Melbourne Community Foundation, and its name change came in 2011 as it “more accurately reflects the current work of the foundation, which continues to grow nationally and reach globally”, as stated on the foundation’s website. While most community foundations are highly geographically-localised, usually to a specific city, the Australian Communities Foundation has elastically re-defined its mandate to make grants “to charitable organisations anywhere in Australia and overseas to Australian registered charities”. It does, however, maintain a strong linkage to its originating city, through MacroMelbourne, a 25-year initiative focused on ensuring Melbourne is an inclusive and sustainable city environment as it meets the challenges of growth.

The genesis of the Phuket Community Foundation (PCF), set up in 2007 in the Thai resort, is interesting in illustrating

both a community’s response to natural disaster, and facilitation by the global community foundation network (Phuket Community Foundation, 2009). The Asian Tsunami of December 2004 killed 350,000 people and devastated coastal towns. Several Thai resorts were devastated but Phuket escaped severe damage and loss of life. Media reports, however, distorted the Tsunami’s impact on Phuket and a second flood arrived, this time of well-meaning relief agencies. A group of concerned local citizens formed Thai Together, to coordinate the efforts of agencies in the ensuing chaos. Long after the disaster ended, the group came to understand that community needs on the island, even during normal times, was hampered by poor communication between funders, non-profits and government. The international development organisation, Synergos, provided the mentoring and international connections that allowed the Phuket Community Foundation to be operational by 2007. The Global Fund for Community Foundations (GFCF) was instrumental in helping the foundation shape its mission, in particular funding a learning visit to community foundations in Slovakia, which had more in common with the Thai context than those in economically-developed countries. Start-up funding from GFCF and other donors gave PCF the start it needed. The foundation still relies on external funding but is also attracting local support, which is the essence of a community foundation.

The notion of ‘locality’ is assumed to be an immutable characteristic for community foundations, although we have seen that the Australian Communities Fund now gives grants to Australian NGOs for their work

internationally. In 2006, the peninsula Community Foundation and the Community Foundation of Silicon Valley merged to create the Silicon Valley Community Foundation (SVCF), which today has assets of \$2 billion and in 2011 awarded grants totalling \$235 million, making it the world’s biggest community foundation. Emmett Carson, SVCF’s chief executive argues that a community foundation located in the world’s most “innovative and globally connected place in the world” must reflect the nature of its global citizens and their charitable interests both domestic and international (Carson, 2013).

Carson’s view of “grant-making in the global village” is that community foundations will no longer be bound by geographic locality and become re-engineered as global agents reaching beyond their local communities. SVCF already has a group of 30 families in its Donor Circle for Africa, which supports non-profits active on the continent. Cross border grant-making faces significant barriers in the U.S. because of the regulatory requirement on the grant-maker to independently validate the foreign non-profit’s legal eligibility to receive funding, although there are indications the process may become less onerous. Carson’s vision for the new globally-connected community foundation will probably be restricted to those urban, cosmopolitan communities, like Silicon Valley or Melbourne, whose citizens naturally look beyond the parochial. The most likely trajectory for the growth of Asian community foundations is a geographically-localised mandate, funding within their own communities or at least nationally. This localisation will be reinforced by the very practical difficulties of transferring grants across jurisdictions in Asia.

Philanthropy and Natural Disaster

Phuket Community Foundation was a local response to disaster. Most of Asia is prone to natural catastrophe, which results in philanthropic responses across the spectrum from small donations by the general public to large grants by philanthropists, government and multilateral donors. The 2008 Sichuan earthquake, which killed 68,000 people, helped shape philanthropy in China and public attitudes to giving. In 2011, the most powerful earthquake ever to strike Japan was centred 70 km from Tohoku peninsula. It became the most expensive natural disaster in human history, causing a meltdown in the Fukushima nuclear power station. Nineteen thousand people were killed or missing and local economies in impacted areas devastated.

An enormous domestic and international effort was launched to respond to the earthquake's immediate impact and medium term economic consequences. One modest but important contribution to this complex and costly effort was an unusual collaboration between an American relief agency, the Japan office of a French microfinance intermediary, and a credit union in the prefecture nearest the earthquake's epicentre (**See Profile: Sanriku Tomodachi Fund for Economic Recovery, p. 93**). The initiative leveraged a longstanding city twinning relationship between donors in Seattle, Washington State and the port city of Kesenuma, providing social capital, networks and a high level of trust during the stressful post-disaster phase. A key innovation was the role played by PlaNet Finance Japan in bridging

the relationship between a large international donor and a local credit union, bringing together know-how on microcredit with understanding of the local context and culture. The Sanriku Tomodachi Fund has helped sustain small enterprises through business development grants and loan subsidies in a philanthropic response that focused on sustaining the local economy rather than providing immediate relief goods. The Fund's success has prompted further investment in the scheme by U.S. and Japanese corporate businesses, and has led to developing a sustainable ecosystem for supporting local social enterprises and valuable lessons for international responses to post disaster recovery programmes.


Philanthropy is Personal

Ben Tsiang was born in the U.S. and raised in Taiwan. Ben is something of an accidental philanthropist. At the height of his career as a new media entrepreneur (he co-founded sinanet.com, one of China's biggest infotainment portals), he survived a heart attack at the age of 35. While recovering, he reassessed his life and priorities. Bringing together his entrepreneurial spirit and his love of art and culture, Ben and two friends founded CNEX (Chinese Next), to create 100 documentary films over 10 years recording the history of the Chinese-speaking world (**See Profile: CNEX, p. 96**). Ben underwrote the costs of launching this filmmaking social enterprise, and still digs deep into his pockets to fund expansion and innovation. CNEX is an act of personal philanthropy that recognises the opportunity to creatively document a civilisation during a period of breath-taking change.

Summary & Conclusions

In this chapter we have seen examples of grant-making that are often bold and daring; that focus on catalysing sustainable beneficial change, by taking a long-term view and valuing collaboration. Philanthropic leadership is essential. With Lien Foundation and Tote Board from Singapore, we have two well-established grant-making foundations that do not fall into the trap of complacency. Their CEOs are intrapreneurs who personally associate themselves with the need to constantly innovate. In the Philippines, the Zuellig family has decided to consciously move beyond the CSR activities of their family business, and strive to bring health equity to the rural poor. Bolstered by research, they have experimented with a radical theory of change, have proven that it works and taken steps to scale up through government: a far-sighted and strategic approach.

China is not for the faint-hearted. It is the Wild East of philanthropy. A pace of wealth creation not seen since the age of Western industrialisation; millions lifted out of poverty through economic growth, yet an ever-widening gap between rich and poor; a huge toll on natural resources and the environment; a unique social-political context that pervades every part of life in the world's most populated nation. The Chinese government has given its blessing for a 'great leap forward' in philanthropy; yet its hand is steadily on the tiller. Like mushrooms, new private foundations spring up overnight. Not all will have the drive, sense of purpose and strategic insights of YouChange. Created to support social entrepreneurship in China, YouChange is also a leader



by example, in fostering a culture of openness and transparency in the emerging foundation sector.

Community foundations offer a local hub for philanthropic activity. They have a long history in the U.S. and in the last two decades have had an impact on communities in Europe, but, until very recently, they have not been part of the Asian landscape. While several community foundations are found in Australia and New Zealand, they are thinly scattered elsewhere in Asia. Singapore's community foundation has real potential to encourage philanthropy and harness the wealth of an island where 17 percent of the population is a dollar millionaire.

A positive consequence of traumas such as natural disaster is collaboration and partnership. The 2008 Sichuan earthquake in China has helped shaped the emerging foundation sector and public opinion to giving. The 2011 Tohoku earthquake and Tsunami in Japan led to innovative partnerships between international donors and local financing intermediaries.

Philanthropy, at its heart, is a private passion where an individual gives time and talent for the common good. Ben Tsiang exemplifies this very personal approach in creating CNEX, choosing to act directly for a cause he felt strongly about and which benefits the wider society.

"The task of strategy is an efficient use of the available resources for the achievement of the main goal¹⁴". Innovation does not have to come out of new organisations or new methodologies. Philanthropists in Asia

can further the impact of their giving by being committed to continuous improvement and seek innovation in their existing philanthropic vehicles.

The private foundation sector in the West has taken 100 years to mature. Most of Asia is an emerging market for philanthropy, while wealth grows rapidly. Countries, particularly China, will leapfrog in philanthropic practice when given government approval to experiment.

Recommendations

- We recommend the creation of a pan-Asian association of grant-making foundations akin to the Council on Foundations or the European Foundation Centre to foster a culture of collaboration and learning between grant-makers in Asia and to those outside the region.
- We recommend professional development opportunities for foundation staff in Asia to increase exposure to, and capability in, areas such as strategy, governance and impact measurement.
- We recommend greater professional crossover so that individuals from sectors not traditionally associated with philanthropy (e.g. the investment community) engage with, or are employed by, grant-making foundations.
- We recommend promotion of the community foundation model in Asia through conferences, publications and better networking with community foundations in the U.S. and Europe.



¹⁴ Wikipedia's definition of strategy.



Lien Foundation

For anyone working in the social sector in Singapore, Lien Foundation is a well known institution. Lien Foundation and its affiliates, Lien Centre for Social Innovation, Lien AID, Lien Centre for Palliative Care and Lien Ying Chow Legacy Fellowship have been ubiquitously featured in the media for their progressive and imaginative work.

It has not always been this way. Lien Foundation has its roots in pure grant-making. It was founded in 1980 by Dr Lien Ying Chow, an entrepreneur who had made his fortune from a successful career in banking and hotelling. Dr Lien gave half of his wealth to the foundation to help the needy and deprived in society. Since then, the foundation evolved to become more engaged in its philanthropy work especially under the helm of its current CEO Lee Poh Wah. Lee came from the public and private sectors, having worked for the government on issues related to social enterprises. Reflecting on his arrival at the Foundation, Lee says, "I was disappointed with the uninspiring monoculture philanthropy landscape in Singapore where publicity for philanthropy revolves around cheque-giving ceremonies."

"Radical philanthropy" is what Lien Foundation sets out to achieve today, as headlined on its homepage. Lee believes that "philanthropy should be more like venture capital, investing in research and development that brings value for the non-profit sector in society". This fresh hands-on approach of the foundation is in contrast with past practice. Every year the foundation receives some 300 unsolicited proposals

for grants. Lee feels the proposals are seldom aligned with the foundation's philanthropic purpose and style. The proposals often promote status quo or simply substitute government funds. Driven by what Lee views as the futility of reactive grant-giving in producing sufficient impact, the foundation adopted a proactive selection model.

A classic example of Lien Foundation playing a catalytic role in social impact is Mission: I'mPossible (MIP), a community-based programme to bring specialist care to children right into the classes of mainstream preschools. The initiative was born out of the frustration experienced by a civil servant who noted the lack of support for children with mild learning needs. Children with severe learning difficulties were cared for by special schools funded by the government but children with milder problems fell through cracks in the education system to struggle in mainstream preschools with little or no support. The civil servant worked with Lien Foundation to develop a new and cost-effective service delivery model that brought specialist care right into the preschools. MIP worked to improve the readiness of children with mild learning disorders for success in primary school.

A pilot programme was rolled out to a cluster of preschools in 2009-11 in collaboration with KK Women's and Children's Hospital's Department of Child Development, and Ngee Ann Polytechnic. The preschools received support from an on-site MIP team comprising a paediatrician, psychologist, speech and language



www.lienfoundation.org



therapist, occupational therapist and learning support facilitator. Manning the frontline, pre-school teachers were trained to screen and detect students with developmental needs. The teachers were supported by Learning Support Educators who are trained and experienced to help integrate therapy goals into the classroom for the children. Once identified, the children would be provided with an individual education plan comprising 10 on-site therapy sessions and five in-class support sessions tailored to his or her learning needs during school hours.

By its third year, the programme has impacted the lives of more than 450 preschoolers who went through the therapy sessions. Researchers from the National Institute of Education and Monash University independently evaluated the intervention and validated its effectiveness. The results did not go unnoticed. A ripple effect was created when the Singapore Government announced it would fund a nationwide scale-up. Lien Foundation saw this as success, demonstrating how private philanthropy tests innovative ideas which can become mainstream.

Embodying its eponymous vision statement to “Lead, Innovate, Empower and Network for the benefit of society” the role of the foundation in the MIP project went beyond funding. It orchestrated the project by bringing different parties together through its networks and acted as a strategy advisor as well as a sounding board for the change-maker. Most importantly, like a venture capitalist, it was willing to take the risk for a big idea backed by a strong team. Lee explains: “The world is not neatly compartmentalised into the public, private and non-profit sectors. There are only two ‘sectors’: the effective and not-so-effective. The foundation is willing to work with anyone as long as they are effective implementers, and generally prefers to engage the private sector to deliver its mission.”

MIP was not the first project to achieve success and recognition. Lien has also worked on initiatives that harness information technology (IT) to improve efficiency for NGOs. Project IngoT (derived from the axiom “IT stretching NGOs”) developed an Enterprise Resource Planning (ERP) system for the non-profit eldercare sector. The initiative connects ten leading non-profit organisations to share manpower and inventory costs, and allowed eldercare personnel to spend more time taking care of patients instead administration.

Lien Foundation has spun off affiliates: Lien Centre for Social Innovation, Lien AID, Lien Centre for Palliative Care and Lien Ying Chow Legacy Fellowship. Lee said they were a result of the constraints he faced when he initially joined the Foundation. Its principal activity is grant-making and therefore does not have all the in-house resources for hands-on engagement

with its grantees. Lee’s innovation was to partner with other organisations and to set up the affiliates with an autonomous board and management team. It was a mode of engagement that gave implementation power and agility to the foundation.

The Lien Centre for Social Innovation is a product of a partnership with Singapore Management University to advance the thinking and capability of the non-profit sector. Lien Centre for Palliative Care is a partnership with Duke-NUS Graduate Medical School with active involvement from the National Cancer Centre Singapore and Singapore Health Services to promote quality palliative care through education and research. With Nanyang Technological University, Lien Foundation has formed the Lien Ying Chow Legacy Fellowship and Lien AID. The former aims to strengthen ties and promote understanding between Singapore and China through a people-to-people exchange programme that fosters intellectual and cultural sharing. The latter is an international development NGO, with offices in Cambodia, China and Vietnam, which aims to make water safe and sanitation accessible and affordable to poor communities in Asia. This complex family of Lien organisations shares the same DNA to Lead, Innovate, Empower and Network.

Zuellig Family Foundation

"It's about giving back to a country that has been so very good to us," recalls David Zuellig, about his father's motivation to initiate the family's philanthropy in the Philippines. "He felt it was necessary to do more than have a presence and do business in a country for which our family has such a strong affinity." Of the family's motivation, David's cousin Daniel Zuellig adds, "As our family and businesses are so strongly interlinked with the Philippines, we feel called upon to participate in the country's social progress." More specifically, Daniel says, "We have chosen the health sector as the field where our resources are best suited to make a contribution in the improvement of health outcomes and better quality of life in rural municipalities."

It was in 1901 that their grandfather, Frederick E. Zuellig, left Europe as a 19-year-old in search of commercial opportunities in Manila. He put down roots, developed a business and started a family. His two Manila-born sons returned to the Philippines after their education in Switzerland. Having survived the Japanese occupation and the devastation of 1945, they rebuilt the family business in the Philippines and expanded it internationally with a strong presence in the Asia Pacific region. "My father and late uncle built and developed the family's enterprise beyond the Philippines, but we always remain mindful of the fact that the business started in Manila and consider the Philippines as a country of pre-eminent long-term strategic

importance," says David, who is joined by two other family members on the main board of Zuellig Group.

In the early 1990s, Dr Stephen Zuellig and his brother, Gilbert, set in motion a process that would lead to an innovative and strategically-focused private family foundation. "We started modestly with humanitarian donations during those all too common natural disasters in the Philippines," says David. "We did this very quietly, not wanting any sort of publicity."

In 1997, the Zuellig Group established the Pharmaceutical Health and Family Foundation during the inauguration of the Interphil Laboratories, Inc. manufacturing plant and the Zuellig Pharma Corporation distribution centre in Canlubang, Laguna. The corporate foundation initially aimed to address the health needs of local communities in the neighbourhood. Four years later, on the occasion of the 100th anniversary of the Zuellig family's engagement in the Philippine business sector, the foundation was re-named the Zuellig Foundation and given a broader scope by consolidating selected social responsibility programmes of the Zuellig companies in the Philippines. The foundation redirected its attention to advocacy for public health policy reforms and the training of health professionals.

"All of this experimentation through the corporate foundation laid the ground work and shaped the dynamics for what would become the



www.zuelligfoundation.org



family's own personal expression of philanthropy," recalls David Zuellig. The family interest was in overcoming the divide that left the poorest in society without access to health services. To this end, the foundation asked the question, "What would the foundation do if its mission shifted focus to health for the poor?" Tasked to answer the question was Ernesto Garilao, an academic specialising in bridging divides in society and who had formerly been Secretary in the government's Department of Agrarian Reform. "The findings were clear: reduce the health inequities that hindered the poor's access to health services provided at the municipal level," says Garilao.

From his experience in government service, Garilao knew that the mayor is the key agent of change at the town level. He said "the best practices in health in any municipality can be attributed to the mayor", adding that "this is the person who can get things moving". Garilao reported his findings to the board, which recognised the compelling theory of change: that addressing municipal leadership will reduce health inequities, resulting in better health outcomes for the rural poor.

In 2008, the family organised its distinct philanthropic programme,

independently of the CSR activities of the group of companies and Zuellig Family Foundation, Inc. (ZFF), and appointed Garilao as the foundation's president. The board of trustees approved the Health Change Model and Leadership and Governance Training Interventions and is piloting this in 50 municipalities over five years (2009-2013). In addition, a matrix of health outcomes was agreed upon that illustrated the validity and effectiveness of the model in the context of the Philippines' commitment to reach the United Nations' Millennium Development Goals (MDGs), particularly with respect to the reduction of maternal and infant mortality.

ZFF's new flagship initiative, the Community Health Partnership Program, began partnering with rural municipalities in the Philippines to improve local leadership and governance; one of the World Health Organisation's Six Building Blocks of health systems¹⁵. These local partnerships involve municipal health leaders, comprising mayors, municipal health officers and other civic leaders, who will undergo leadership and governance training to deepen their understanding of health and a practicum guided by a technical roadmap. Thus equipped, these leaders can then initiate health programmes in their communities, strengthen health-related institutions and mobilise local support for health.

Since it was initiated in February 2009, five cohorts of municipal health leaders have participated in the training programme. In choosing the municipalities, the foundation considered the community's specific health burdens such as high maternal and infant mortalities, or lack of

grassroots participation in health programmes, and equally important, the political leaders' commitment to improve the health system.

After just over two years, Garilao was able to report to ZFF's board of trustees details of the encouraging results that the programme had yielded. The first cohort saw its maternal mortality ratio (MMR) plunge to 60 in 2011 from 167 in 2008 prior to ZFF's interventions. Similarly, the second cohort's MMR fell from 193 in 2009 to 44 in 2011. It appeared that the approach of developing leadership capabilities at the town level was already paying off. The improvements prompted the foundation to move into the more challenging areas of the Autonomous Region in Muslim Mindanao (ARMM) and communities in 'geographically isolated and disadvantaged areas' (GIDAs).

The third cohort comprised municipalities in ARMM where health is not devolved: governance is poor, incomes are very low, traditional health behaviours prevail and security is a continuing concern. Furthermore, access to credible health data is difficult, while health facilities are manned by an overstretched workforce. As in previous cohorts, improvement is needed in maternal mortality, but aside from working at the town level, health leadership improvements are also necessary at the provincial and regional levels. This approach has led to similar positive results: MMR dropped from 141 in 2010 to 46 as of September 2012.

GIDA municipalities form another cohort of the foundation. The Department of Health (DOH) describes GIDAs as communities with populations "physically and

socio-economically separated from the mainstream society". These communities are isolated by distance and difficulties in transportation. They are also marked by high poverty incidence and the presence of people in or recovering from crisis or armed conflict. Each municipality designed scorecards to monitor the changes in key health indicators in their location. As the training programmes took effect and scorecards started turning from red to green, David Zuellig recalls being "surprised by how rapidly health outcomes were being achieved".

Another key strategy of ZFF is convening the Philippine Health Outlook Forum, a regular event that serves as a public platform to debate health issues and share experiences. During these forums, government, multinational agencies and private sector stakeholders gather to discuss the state of health in the country and form partnerships that will work toward a shared goal of addressing health inequities. Past forums were attended by government officials, including senior ministers, and therefore allowed the foundation to communicate what it was learning in the municipal leadership programme to the highest levels of government.

These forums resulted in programme partnerships with several groups where practical synergies were identified, which strengthened and diversified the resources available to ZFF's work in the municipalities. The United Nations Population Fund (UNFPA), the U.N.'s agency responsible for family planning,

¹⁵ *The WHO Six Building Blocks are service delivery, health workforce, information, medicines, financing and governance.*

found that ZFF's local leadership approach complemented its technical interventions in population control; thus the two forged a partnership covering 10 Philippine provinces. A partnership with the global health corporation Merck, Sharp & Dohme's (MSD) Merck for Mothers programme represents a collaboration due to take place in 21 GIDA municipalities in 2013. In 2012, ZFF's partnership with the Synergeia Foundation led to a summit in ARMM to raise awareness and identify solutions to the dire health and education situation arising as a result of decades-long conflict.

Seeing the problem through the lens of local leadership brought the evidence into sharp focus. ZFF is demonstrating that in the municipalities where its leadership programme operates, there is positive impact on MMR. For Garilao, "the data is already out there, our innovation was to put the pieces together".

This innovation may be the answer to the country's problem in MMR, which from 162 per 100,000 live births in 2008 rose to 221 per 100,000 live births in 2011¹⁶, way above the country's MDG target of 52 per 100,000 live births by 2015. The fall in MMR from 160 in 2008 to 73 in 2011 was encouraging, leading the foundation's board to expand the project's reach to 300 municipalities – 25 percent of the national total - during 2013 – 2015. However, if its intervention

is to provide a significant impact on the country, the expansion must involve mainstreaming the approach to government agencies and academic institutions. "If our approach is to have a national impact and contribution, we cannot expand by ourselves, but must influence adoption by mainstream institutions," says Garilao. "Our aim is to see the health leadership and governance interventions for municipal leaders incorporated in the programmes of the Department of Health, and for the training to be provided by academic partners."

ZFF began talks with the government about how its programme could be scaled sufficiently to help the Philippines reach its MDG commitment. In November 2012, responding to the request of Health Secretary, Enrique Ona, Garilao presented the outcomes of ZFF's health leadership work to the DOH's executive committee. This resulted in the committee deciding to adopt ZFF's health change model and leadership interventions in its 609 priority municipalities. DOH has requested ZFF to serve as its resource partner in the national rollout after the May 2013 elections. According to Garilao, "once this materialises, then truly, our pilot approach will have national contribution and impact".

David Zuellig is quietly encouraged by what the foundation's team has achieved in just four years, in what has been the family's first independent foray into outcome-oriented philanthropy. The family's historical roots are in the north-eastern cantons of Switzerland, whose citizens are noted for being cautious. But the family has taken bold steps to develop an expression of philanthropy that is independent of its business, highly-focused, strategic and evidence-based. It reflects the Zuellig

family's desire to sustain a legacy of making healthcare central to nation building and improving the quality of life for all Filipinos.

¹⁶ In arriving at the 2011 national MMR of 221, the government formula used was number of maternal deaths divided by the number of women of reproductive age (15 to 49), which in turn, are based on the results of the multi-stage sampling method conducted by the National Statistics Office..



Tote Board

The Singapore Totalisator Board (known locally as the “Tote Board”) is steadily redefining grant-giving practices on the island. Since 1988, it has been distributing funds for the greater good of the Singapore community. Its impact is found in arts, culture, education, health, sports, social service and community development.

Tote Board receives its funds from gaming surpluses generated from the operations of its agents – Singapore Turf Club and Singapore Pools – and from casino entry levies. In 2010, it committed more than S\$500 (\$387) million to a wide range of social causes. Under the leadership of its current Chief Executive, Tan Soo Nan, it has become an innovator in Singaporean philanthropy. Soo Nan, an ex-banker and venture capitalist, brings with him years of corporate experience as a discerning deal maker who is willing to experiment in the quest to produce more and better social outcomes and efficiency.

Over the past three years, Tote Board has created three purpose-driven funds: the Social Innovation Research Fund, Outcome Fund and Social Enterprise Fund.

The Social Innovation Research Fund encourages academics to undertake research with direct practical benefit to society. Projects are shortlisted, not only on quality of ideas, but also financial sustainability. To promote ownership, the academic institutions and the fund contribute funding equally for successful applicants. The funding quantum is up to S\$100,000

(\$77,500) per project. To date, over 40 projects have been funded, including the development of a caregiver alert system, a mobile suspension walking system for the disabled, and education robots for children with autism spectrum disorder.

The Outcome Fund came about as Tote Board sought to introduce the idea of outcome measurement to non-profit organisations (NPO). Soo Nan recalls “asking ourselves why traditional grant-makers are only concerned with inputs and outputs and not outcomes”. Knowing that such a mind-set cannot be changed overnight, Tote Board set up a new team to focus on promoting outcome measurement and hired a consultant to conduct outcome workshops for NPO staff. Participants were encouraged to apply for funding from the Outcome Fund for projects that could introduce outcome measurements in their organisations.

Tote Board’s Social Enterprise Fund exists to support social entrepreneurs. The challenge was to identify people with business acumen who would engage in supporting social enterprises. Realising that mentoring social entrepreneurs could not be provided internally, Tote Board provided seed capital to set up SE Hub Ltd (SE Hub) in July 2011.

SE Hub is independently managed by two retired venture capital professionals, whose mandate is to invest in social enterprises by providing operational funding, management expertise, and incubation support. A group of corporate leaders provides mentoring advice and networking

www.toteboard.gov.sg

contacts for the enterprises. SE Hub has invested in two social enterprises since its inception. On top of its support for SE Hub, Tote Board has also directly funded two social enterprise projects, MicroCredit Business Scheme (MCBS) and Caring Fleet Services Ltd (Caring Fleet).

MCBS is a pilot project in collaboration with the Post Office Savings Bank to test the sustainability of a microcredit facility in Singapore. Income levels of Singaporeans are among the highest in the world and the well-established microcredit models that are successful in various developing countries may not be directly transferrable to the Singapore context. For Soo Nan, it is not about the question of whether it will be successful but the question is really about “how do we operate a model that will fit Singapore?”. He believes that the model can be fine-tuned to help low income entrepreneurs build their enterprises. MCBS hopes to assist low-income or unemployed Singaporeans who have no collateral and credit history with financing to start or expand their business. Financing is usually unobtainable for them via traditional banking sources. Loans between S\$3,000 (\$2,300) and S\$50,000 (\$39,000) are offered at an interest rate of 8% to 12% per annum. Repayment is bi-weekly instalments of up to a maximum of 120 months. Successful applicants are given free financial management training in cash flow and record keeping skills. Thus far, there have been more than 20 successful applicants in the first six

months. These include a housewife who started her own food stall in a school canteen and a small scale shoe distributor who expanded his business with a loan from the scheme.

Caring Fleet was born out of research conducted by a team from Singapore Pools, Tote Board, Accenture and Singapore Management University. The study validated a financially sustainable model to provide a dedicated transportation service for people with limited mobility. Caring Fleet's operational model is continually being refined and has come a long way since the original research study. Caring Fleet's management must balance sustainability with its deep social focus. For clients who are unable to afford the service, there are subsidies from corporate sponsors or grassroots organisations.

Tote Board is committed to subsidising Caring Fleet initially, until the business is commercially viable.

In another demonstration of its social sector leadership, Tote Board is committed to developing talent in the sector. NPO executives showing leadership potential are offered scholarships at Harvard and other universities for training in governance and management. Tote Board stays in touch with these alumni and helps them network with each other on return from abroad. Tote Board is constantly experimenting with new ideas to increase the professionalism and effectiveness of Singapore's non-profit community through human resource development knowledge sharing.

YouChange

Wang Ping vividly recalls the moment that inspired her journey to launch a private foundation that would tackle China's social problems with energy and imagination. "My daughter, QingQing, and I were in the countryside giving support to poor students to help them get a university place," she said, recalling that helping one person was a responsible but limited action and that there must be a "better and more effective way" to address the problems of rural education and opportunity. That was a turning point for Wang. Philanthropy has to be strategic and scalable to have impact.

Wang has enjoyed a successful and diverse career, but is from a modest background in Beijing. During the Cultural Revolution, while aged just 16, she was required to teach high school for the next seven years. As the secretary of the Youth League, Wang gained experience organising young people and developing education programmes, and by 1978 was able to apply for a place at Renmin University. After graduating she was assigned a research post in the China Communist Party Central Committee's international liaison department. As China gradually opened up, she was able to live and study in the U.S. and Europe, and moved into the private sector. She views all of this, and her beliefs as a Buddhist, as preparation for her eventual activity in philanthropy: "After 2006 I started to think a lot about philanthropy in China and my investing background and general business experience inspired me with lots of ideas. Business is very effective at helping people develop themselves, and this is something I

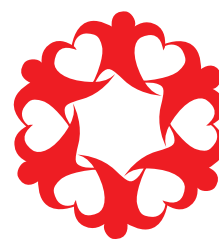
wanted to explore in the emerging field of philanthropy in China."

With the easing of foundation regulations in 2004, Wang decided the best route was to establish a new, private foundation. Her daughter, QingQing, was then studying in New York and became exposed to the social entrepreneurship movement in the U.S. She forwarded articles from the Stanford Social Innovation Review and other publications to her mother, as well as the influential book by David Bornstein, *How to Change the World: social entrepreneurs and the power of new ideas*. This helped crystallise the idea that instead of just funding education projects, there would be more impact if organisations were set up to support innovation and social entrepreneurship across China. With a small group of like-minded entrepreneur board members from Mainland China, Taiwan and Hong Kong, the China Social Entrepreneurship Foundation was established in 2007. The vision was to become a leading Chinese philanthropic organisation, that would be a social force playing a significant role in promoting the harmony and progress.

Five years on, the foundation, now widely known as YouChange (Youcheng, 友成企业家扶贫基金会), is one of China's most widely respected and dynamic private foundations. Wang's vision for the next five years is that YouChange "does not swim with the tide" but is an advocate for social innovation in poverty alleviation and development. She is rightly proud of what her executive team has



www.youcheng.org



YouChange

achieved in such a short time – piloting 11 programmes and supporting 65 fledgling non-profit organisations across 16 provinces with what she calls "angel investment to stimulate development of the third sector" in China. As a newly-founded private foundation, YouChange had the foresight to finance a series of skills development workshops for potential social entrepreneurs initiated by the British Council in China. The Council's training and the YouChange Social Enterprise Awards were a supportive platform, upon which YouChange could reach out later on to fund many promising leaders. Wang argues that the use of "high risk/high return grant capital plays a decisive role in nurturing innovative organisations and programmes". Among YouChange's funding recipients there were 25 grass-root organisations including NGOs such as Beijing Global Village Environment and Education Centre and social enterprises like 1kg.org.

Although only operational for a year before the devastating Sichuan earthquake struck, the foundation was

able to respond within 24 hours. By leveraging its relationship with local governments through the MianZhu Social Resources Coordination Platform (绵竹社会资源协调平台), YouChange was able to coordinate the deployment of non-profits and individual volunteers from across the country. The sudden influx of volunteers was an issue of political sensitivity on the ground. Later on, the foundation worked with McKinsey & Company to record much of the learning from this unexpected exposure to disaster relief. YouChange has organised follow-up workshops on disaster management at the Southwestern University of Finance and Economics to promote more local and practical research on disaster management and the management capacity of social organisations, to multiply the impact of what it has learned in disaster relief. In 2012, this experimental platform was re-evaluated. YouChange and the China Charity & Donation Information Centre (an organisation working under the supervision of the Ministry of Civil Affairs) collaborated to enhance what was conceived as a purely local platform into one with national outreach. The new China City Philanthropy and Social Management Innovation Platform will coordinate the resources of government, enterprises, non-profits and community so that the capacity of charity policy-making and planning can be improved nationally. This will make it more efficient in managing social innovation and sustainable development at municipal level.

Wang does not underestimate the regulatory, cultural and political complexity of effecting transformative social change in China through the means of a private foundation. She is quite clear that social and environmental issues, particularly in the China context,

are complex, needing to be viewed from many angles. "Social innovation calls for participation from all stakeholders," she says. "The connection between decision-making of public policies from the top down and fulfilment of social demand from the bottom up, can only be realised by collaboration." Therefore, YouChange functions as a supportive and promotional private foundation, serving as a bridge that builds cooperative connections between government, enterprises, academia, the public, and the third sector. With such a vision, Wang Ping believes that "YouChange must be patient and bear the increased costs of such an approach". She believes that "the social return that we generate is going to be immense".

In the pioneering environment of private philanthropy in China, YouChange must be an operating foundation, a grant-maker, and a multiple field builder. The foundation organised a celebration of social innovation in Shanghai during the 2010 World Expo and has financially supported 16 platform-style innovations in philanthropy, including the China Private Foundation Forum, China Foundation Center website and Ted X Beijing. YouChange's capital, in the most part donations from Chinese corporates, has grown 14-fold in five years to a cumulative total of RMB280 million (\$44 million). Its spending has averaged 20.8 percent of net capital held (considerably above the eight percent required under law).

The first five years of YouChange have been a whirlwind of intense and diverse activity, but Wang remains typically reflective. She is particularly proud of the foundation's ability to take risk with small, unproven non-profits and sees some of them mature quickly. She is also optimistic that the next five

years will go "from good to excellent". One of her priority recommendations to the board is for YouChange to become more of a grant-maker to young, innovative organisations and less directly operational. "We see ourselves as an advocate and incubator for social innovation," says Wang, "so we will build on our partnerships." The Social Innovation Centre at Beijing's prestigious Tsinghua University is a joint venture with YouChange to provide high quality research. YouChange is collaborating with Peking University to develop a teaching curriculum on social entrepreneurship, and perhaps the most ambitious initiative is YouChange University – a set of comprehensive programmes, including the teaching of social entrepreneurship in Chinese universities and colleges (67 institutions have signed up so far) and practical assistance and mentoring to budding social entrepreneurs through Start Up Café. The board member responsible for overseeing YouChange University is Dr Tang Ming, a former chief economist at the Asian Development Bank, who was appointed a counsellor in the Chinese government's State Council, a role that will help YouChange influence policy at the highest levels. Tang is the first person from the philanthropy sector to be appointed a state counsellor.

In the history of U.S. and European foundations, how many could claim to have matured as rapidly in their first five years as has YouChange? Wang describes a wave of new philanthropy sweeping across China, which she characterises as "proposing new concepts; opening up new fields; discovering new energy; creating new platforms; trying new methods; harnessing new technologies; and nurturing new talents". YouChange is clearly exercising leadership in the brave new world of Chinese philanthropy.

Community Foundation of Singapore

Community Foundation of Singapore (CFS) was launched in 2009 during the onset of the global financial crisis. This did not hold it back from becoming a force in philanthropy on today's Singaporean landscape. "Fundamentally, it is about community development," says Stanley Tan, the foundation's chairman. "We are a bridge that connects resources to the needs in our community." Tan is a successful media entrepreneur, and CEO of Global Yellow Pages. Despite his impressive business curriculum vitae, Tan is more comfortable talking about his longstanding work in the non-profit sector: "I started visiting mission hospitals and orphanages in Singapore when I was just 10 years' old," he says, "and I guess I've been a volunteer ever since." Unlike many of his business peers, Tan did not delay coming to the charity world after building a professional career, but brings a deep, lifelong sense of community responsibility and volunteerism into his commercial life. He does not believe, as some do, that charities should be run more like businesses, but is passionate to see more people from the business community engaged in giving. He believes that "businesspeople are very valuable to the non-profit sector, because their biggest strength is, not an enterprising capability, but their problem-solving ability."

CFS was incubated by the National Volunteer and Philanthropy Centre (NVPC) before being set up as an independent company limited by guarantee, with an Institute of

Public Character status. The two organisations, however, maintain strong ties (they share a common CEO and chairman). CFS offers individuals and businesses a compelling argument for increased efficiency and effectiveness in philanthropic giving. Currently, CFS operates with financial support from the government. CFS's core activity is setting up donor-advised funds, corporate foundations, and endowment funds. Catherine Loh, Deputy CEO, recalls a success for CFS when retiring Singapore President, Mr S.R. Nathan, set up his fund at CFS: "When Mr Nathan retired last year, he wanted to leave a legacy and decided to establish an endowed educational upliftment fund at CFS. This fund soon grew to S\$9 million (\$7.2 million) with his own personal donations and the contributions of other well-wishers." CFS is actively involved in the research and development of the programmes to be supported by this education fund, which is one of the compelling value-adds of housing the endowment within CFS. Nathan personifies Singapore's meritocracy, who, as a school dropout sleeping rough on the streets, climbed to become the country's sixth President. The donor-advised fund aims to give educational opportunities to young Singaporeans on the bottom rung of the ladder.

For its corporate donors, CFS can help align the firm's core business with its philanthropic objectives. CFS manages the donor-advised fund of one of Singapore's largest law practices, Rajah & Tann. "Rajah & Tann wanted to support



www.cf.org.sg

COMMUNITY FOUNDATION
OF SINGAPORE

an innovative project in local schools," says Loh, "and CFS introduced the law firm to Project School which brought together the Law Society, the Police Force and the Ministry of Education to develop a curriculum for secondary school students." Teachers, who have undergone training workshops with the Law Society, will use role-play and multimedia to engage students in lessons such as Know the Law, Gangs and Rioting, Domestic Violence, Cyber Offences, and Illegal Moneylending.

Loh knows the importance of engaging corporate donors in philanthropy that is aligned and has sustained impact, as she herself came from a successful career in financial services. Before joining CFS she spent 20 years in Investment Banking, and so knows how a corporation thinks about social responsibility. Loh was also deeply involved in her previous employers' philanthropic programmes. In 2010 she left the financial services sector to focus more on family and philanthropy. "The work of CFS is steadily getting better known, often spread by word of mouth," she says, "and I believe it is inspiring more people to do more structured and impactful philanthropy." Loh notes a significant development as donors begin to talk to each other:

“Through our networking and donor education efforts, we are starting to see some conversations brewing between our donors. From these I think giving circles may actually organically evolve without us having to put a group of people together.” By walking alongside donors on their philanthropic journeys, CFS can naturally broker creative introductions that lead to potential collaboration.

Kris Tan, a Singaporean of modest background, had a lifelong love of music. Only later in life was she able to learn to play musical instruments. Her abiding passion was to see home-grown Singaporean musical talent remain in the country rather than be attracted to better professional prospects overseas. After the family did well, she set up the Kris Foundation, a non-profit dedicated to giving local talent a platform to perform. CFS manages Mrs Tan’s foundation and Loh says they can add value “by connecting Kris with like-minded music patrons, with bodies like the National Arts Council, or even by negotiating better hiring rates with concert halls.”

In four years CFS has raised donor pledges totalling S\$35 million (\$28 million) and has set up 37 donor-advised funds and manages an endowment pot of S\$13 million (\$10.4 million). Corporate donors include several well-known brands like StarHub (a Singapore mobile phone company), Ascendas and Bank Julius Bär. CFS is very much donor-centred – “Our starting point is the passion and interests of the individual donor,” says Loh. “For me, the biggest challenge is to understand the needs on the ground, to spend a lot of time on the ground, talking to the people, trying to figure out what is really the best way to get things done.” She admits that the continued

partnership with NVPC is invaluable given their longstanding knowledge of the community and volunteering.

Stanley Tan would like to see community foundations develop in other parts of Asia, but he is conscious that Singapore’s unique history and environment has perhaps made it easier to accomplish this a lot quicker. “Our hospitals, schools and so on were built by philanthropy,” he says, “and we enjoy a very strong culture of good governance and transparency.” Tan sees a bright future for community foundations in Singapore, where he would like “to see a hundred more” on the island, at neighbourhood level. He says, “The whole idea of a community foundation is to be as localised and inclusive as possible.”

Sanriku Tomodachi Fund for Economic Recovery

Sanriku Tomodachi Fund for Economic Recovery was founded in November 2011 to support small businesses in the Tohoku area, which had suffered from the devastating earthquake and tsunami in March of that year. The fund, kick-started with a 200 million Yen (\$2.4 million) injection from Mercy Corps, aimed to stimulate employment and long-term economic revitalisation of the affected region.

The programme is unique in being a partnership between three different organisations in the U.S. and Japan. Mercy Corps is a U.S.-based humanitarian non-profit organisation that provides emergency relief supplies, as well as microfinance programmes, for low income households in developing countries. The American foundation initiated contact with a Japanese organisation in the immediate aftermath of the Tohoku disaster - PlaNet Finance Japan. PlaNet Finance Japan, an affiliate of the French microfinance intermediary, took the lead in programme design and management. PlaNet Finance Japan works to advocate the microfinance industry and consults on microfinance programmes in developing countries. PlaNet Finance Japan partnered with Kesenuma Cooperative Bank, which was founded in 1929 in Miyagi prefecture, and works closely with PlaNet Finance Japan to manage the initiative. The cooperative has more than 9,000 members in the region, giving the organisation a broad reach to potential clients and investees.

“Mercy Corps contacted us a week after the earthquake,” says Daichi Hirose, Project Manager of PlaNet Finance Japan, “asking for potential opportunities to support local small businesses as part of the long-term recovery effort, and by April we had a feasibility study underway.” Hirose added, “We designed the fund based on extensive interviews with small businesses, government agencies, non-profits and intermediaries in the Tohoku area.”

The injection of capital from a foreign donor was virtually unprecedented for Japan since the recovery grants that followed the Second World War. In modern times, Japan has been viewed as a fund provider, not a recipient.

Many of the non-profit intermediaries in Tohoku operate purely locally and do not have the capability or experience to develop partnerships with international organisations. An important innovation was the role of PlaNet Finance Japan in successfully bridging the relationship between Mercy Corps and the local co-operative. This melded international know-how in microfinance with the much-needed understanding of the local context during a stressful post-emergency period.

“In designing the intervention, we concluded that government finance schemes were not sufficient to meet the needs of local businesses,” says Hirose, “given the massive geographical destruction and under capacitated local government administration.” It was

clear to Hirose that “there was demand for alternative finance schemes to provide loans to small businesses that would help revitalise the local economy in Tohoku in the long term.”

The seaports of Kesenuma and Seattle were already linked by a longstanding city friendship relationship, which greatly facilitated several post-earthquake relief activities funded by Seattle donors. This pre-existing relationship helped minimise overheads and the time it took to get the new fund off the ground. The Sanriku Tomodachi Fund was commissioned as two grant programmes, for new business development and employment creation, and an interest-subsidy loan scheme, all tailored for small businesses operating in four localities - Kesenuma, Minamisanriku, Rikuzen-Takata and Ofunato. “In order to reach local small businesses in these areas, cooperative banks are the critical partners,” says Hirose. “They have branch networks and understand local businesses.”

Each of the two grant programmes can provide funding of up to \$18,000 to each client, and up to \$120,000 of loan principle in the subsidised loan scheme. Grants can be made to qualifying social enterprises and small commercial businesses. Unlike government schemes, loans can be made to enterprises unable to put up their own initial capital, making this far more appropriate in a post-emergency setting.

The new business development grants support entrepreneurs in starting up ventures in the disaster-impacted areas

that meet local social needs. In 2011, four projects from 16 applications were selected, including a dairy business that employs young mothers, and a sheltered workshop for people with disabilities making local specialty foods. The employment creation support grant programme offers financial support to small businesses looking to grow and create new jobs. Nineteen businesses were selected from 41 applications, in diverse areas such as fisheries, restaurants, tourism, publishing and construction.

Kesenuma Cooperative Bank directly manages the subsidised loan programme. The \$120,000 loans are available to small business with fewer than 20 employees. The loan term is normally 10 years with a subsidy being available in the first two years. In 2011, five businesses shared \$320,000 in qualifying loan capital. The loan scheme has two goals – to provide easier access to financial services for small businesses impacted by the earthquake, and to support a cooperative bank's loan portfolio expansion thus reducing its exposure to financial risks. Daichi explains that initially they considered providing 100 percent guarantee for new loans, "however, considering the risk of moral hazard, we decided to provide interest subsidy to the cooperative bank. In this way, the bank enjoys the interest revenue from the loan, while borrowers are exempted from paying the interest - lowering the hurdle for investing into their business to restart life after the earthquake." The repayment holiday lasts for the first two years of the loan, after which the subsidy provided by the fund ends.

The grant and loan programmes share four common criteria when selecting clients. (1) The businesses must demonstrate how it is responding to societal needs in the post-disaster

reconstruction; (2) there must be a very committed entrepreneur; (3) the business model must be sustainable in the long-term; and, (4) the business brings innovation to the region.

The number of jobs created is used by the Sanriku Tomodachi Fund as the primary measure of its social impact, based on the assumption that unemployment is the most critical social problem after the disaster. Sustainability of the businesses is also closely monitored. In the process of selection and monitoring, expertise in commercial banking and microfinance business of Kesenuma Cooperative Bank and PlaNet Finance Japan is fully utilised to achieve both financial and social goals. "Although the interest subsidy is small, it is critically helpful for the kind of small businesses we target, which employ fewer than 10 people and turnover less than \$1 million a year," says Hirose. "The initiative fills the gap between government funding and existing private funding schemes. The Fund supports local businesses and helps the cooperative bank maintain relationships with clients who have good potential but are temporarily set back by the earthquake. The government loan programme sometimes put the local cooperatives under pressure to keep their lending businesses." Hirose believes that flexibility and independence of the fund is crucial: "Government funding flows to the key industries in the local economy, such as manufacturing and retail industry, but there are many local businesses that play an important role for local citizens such as restaurants or food businesses. Those are often not eligible due to the smaller scale in employment or economic impact."

A year on, in April 2012, the Fund doubled in size, receiving additional grants from two corporations. Nvidia, the U.S.-based technology company,

contributed \$2.4 million to the fund, while Uniqlo, one of the largest Japanese garment manufacturing retailers, provided a \$718,000 grant injection. Both were attracted by the fund's social impact during its first year and the innovative nature of its approach to post-disaster economic reconstruction at the local business level.

By the close of 2012, 223 companies and individual entrepreneurs were supported by the fund, with over 800 beneficiaries, to gain access to finance, employment opportunities and business recovery. The fund plans to close its grant programme at the end of 2013, marking the end of its mission as a disaster response initiative. Hirose believes the challenge at Tohoku is "now shifting to developing an effective ecosystem among government, fund providers, beneficiaries and intermediary organisations. We will remain involved in the process of recovery in Tohoku, and will seek further innovative collaborations with other financial intermediaries and foundations in a continuing effort to bring about sustainable benefits." In fact, PlaNet Finance Japan has succeeded in scaling-out the programme in Minami-Soma city in Fukushima Prefecture, a city where half of its area was once designated as an evacuation area for the Fukushima-Daiichi Nuclear Plant disaster. The Minami-Soma Tomodachi Fund programme was started in November 2012 partnering with local cooperative, Abukuma Cooperative Bank, under financial support from the Japan-America Society of Oregon and Mercy Corps.

Hirose is confident that the capability of its partner cooperatives has been enhanced through the emergency partnership with Mercy Corps and PlaNet Finance, with improved due diligence and hands-on business services support to clients. Sanriku Tomodachi Fund has contributed

to post-disaster social reconstruction through a programme that fostered an innovative collaboration between an international fund provider, local financial institutions, local businesses, and social enterprises. The wealth of experience accumulated by the partners is expected to be an important asset for future programme development in disaster relief and recovery.

CNEX

After devoting 13 years to the creation of social media for the Chinese market, Ben Tsiang turned to filmmaking to chronicle the development of Chinese society. Right after graduation from Stanford University, Tsiang co-founded SINANET.com, the largest Chinese website in North America and the precursor of SINA.com, one of China's largest infotainment web portals. At the height of his successful career, a health episode triggered him to re-evaluate the direction of his life.

In 2006, he left SINA to establish Chinese Next (CNEX) with two other friends. CNEX is a non-profit foundation devoted to the production and promotion of documentaries about the lives of Chinese people. Tsiang says, "We want to form an institution to keep nurturing Chinese documentaries for the long term. Our two mandates are to chart changes in the Chinese society and to promote critical thinking capacity."

CNEX operates in three primary Chinese markets – Hong Kong, Taiwan and China. It aspires to become a platform supporting Chinese documentary filmmakers by organising and coordinating international cultural activities as well as securing supports from other parties like the government. It aims to establish and develop a library of global Chinese non-fiction works to preserve visuals and cultures of Chinese communities, especially in the face of the rapid development that is resulting in changes to society at an unprecedented rate.

The target is to support 100 documentary films in 10 years. Every year, CNEX has

an open call to solicit project ideas from documentary filmmakers according to a chosen theme that serves as a bearing for the historical development of that year. Past themes have included Youth and Citizenship; Crisis and Opportunity; Next Generation's Homeland; Dreams and Hopes; and Money.

The documentary film selection process reminds Ben of a venture capital enterprise. The initial round of selection is done internally with 20 submissions being shortlisted. The finalists are flown to Beijing for a pitching session in front of five jury members who are established filmmakers. At the end of the session, 10 project proposals will be chosen to each receive a grant of \$16,000. Beside financial support, other technical and marketing assistance are provided. The five jury members will take on the role of advisors and executive producers. Meanwhile, CNEX manages the relationship between the filmmakers and advisors, facilitating basic shooting work and sharing sessions. It also assists in submitting the films to international film festivals and is ready to provide additional marketing expenses for those films with strong international potential. Marketing and distribution of the films are also taken care of by CNEX as it taps into its wide distribution network. CNEX partners with the Sundance Institute to host an annual workshop and documentary summit in Beijing. The summit includes story-telling workshops for filmmakers and panels on industry knowledge. CNEX also hosts its own annual documentary film festival as well as CNEX Chinese Doc Forum (CCDF) in Taiwan every October. CCDF is an international pitching event where CNEX

www.cnex.org.cn

invites 20 to 30 international renowned broadcasters, producers and funders to Taipei, Taiwan. Project proposals are solicited from filmmakers and those shortlisted in the first round will attend a Master Training workshop where they enhance their filmmaking skills and receive feedback on their proposals. Finally, the filmmakers will pitch their proposals in front of the international jury. The forum is designed as a platform for Chinese documentary filmmakers to have access to international expertise, marketing and funding.

Many of CNEX's films aim to inspire audiences to think more deeply about social issues. Several films have gained international acclaim at international film festivals and theatrical releases. KJ is a documentary about a music prodigy that draws the audience into dwelling deeper into issues of individualism, collectivism and self-development. It won a number of awards including Best Documentary in the Taipei Golden Horse Film Festival and the Asia Pacific Film Festival, and was shown for eight months in Hong Kong, breaking a record for theatrical release.

Generally, only a fifth of CNEX's films are financially viable. Thus, it still relies heavily on philanthropic funding. Since he founded CNEX, Ben has been one of the major donors on top of volunteering his expertise and time. He is no stranger to philanthropy, coming from a family with a strong philanthropic tradition. He has been helping to manage a charitable foundation that was set up in memory of his late mother. Despite being the CEO of CNEX, Tsiang draws a nominal salary of

\$1 a year and pays for all travel expenses incurred at work out of his own personal account. However with growing international recognition achieved by the films, there is a heightened public awareness of CNEX. The organisation has been gaining more financial support from other individuals and corporates. Combined with the increasing financial viability of some of the documentaries, Tsiang now contributes less. His initial strategic philanthropic contribution in CNEX has been successful in sparking donations from others thus contributing to the promotion of critical thinking of Chinese communities.

There is however no straightforward way to conduct impact assessment for either his philanthropic efforts, or the work of CNEX. Tsiang explains: "It is not easy to measure social impact especially when you are looking at increasing thinking capacity." In CNEX, the success and social impact of each film produced are assessed against three indicators. First it looks at the international recognitions garnered by the film. It then assesses the film based on box office receipts as it is a good indication of how well society receives the film. Lastly, it examines the circulation achieved by the film on DVD, Internet and other non-traditional avenues. The last indicator is especially useful in China in measuring outreach and social impact due to the highly restricted and commercialised media situation that hinders traditional media circulation. CNEX partners with a number of Chinese Internet networks to broadcast their documentaries. Some of the films are able to reach two to three million audiences in a week and receive tens of thousands of online reviews which trigger the traditional media to report on the films. CNEX also runs campus tours in China, doing 20 to 30 universities a year since 2010.

This has drawn a big group of campus fans and enables CNEX to increase its outreach and social impact. The goal of CNEX is to preserve insights about the evolution of contemporary Chinese society. The documentary map of societal change will be freely available to inform and inspire future generations. This is a unique contribution of personal philanthropy to one of the world's fastest changing societies.



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The Philanthropy Ecosystem



In the last two chapters we saw developments in entrepreneurial and strategic philanthropies in Asia. Borrowing from the language of the market, philanthropy is the supply of capital and other resources for primarily social purposes. In our study, the demand for these resources comes from social entrepreneurs and their entrepreneurial non-profits and social enterprises. But on the market landscape, supply and demand seldom connect effectively without some form of intermediation, and the transactional relationships between players happen within a regulatory framework. As in commercial finance, the mere existence of those with capital and those seeking it is not sufficient to make a market efficient. Intermediaries and professional service providers facilitate the efficient operation of the capital markets by providing brokerage, investment instruments for risk management, information and insurance products, and standardised performance metrics. Regulators such as financial authorities determine the legal and policy framework of capital transactions within a particular jurisdiction. In the social capital market (Emerson and Spitzer, 2007) too, efficiency can be increased through the use of intermediaries, although this is a nascent field that is still being defined and mapped in advanced philanthropy geographies such as the U.S. and western Europe (Shanmugalingam, Graham, Tucker, Mulgan, 2011). Broadly, we view the key intermediary roles in the philanthropy ecosystem as: information, collaboration and enablement. For philanthropic capital, both financial and human, to flow more effectively.

in Asia, there needs to be innovation in intermediation. Encouragingly, there are signs that a diversity of

intermediaries is developing in Asia and private philanthropy has an essential role to play in fostering these experiments.

Information, Analysis and Research

To make informed decisions about how to deploy philanthropic capital with maximum potential impact, donors and social investors need access to readily available and standardised information, or market intelligence as it's known in the business world.. Good data minimises the risk of making poor decisions. For a grant-maker or social investor, information is needed about the constituency, sector or issue they seek to address; about interventions, theories of change and impact of operational organisations such as non-profits and social enterprises. In well-matured and highly-regulated charitable markets in parts of North America and Europe, basic organisational information is at least partially available on regulatory and third party web portals. Throughout Asia, market intelligence about individual non-profits, their operational sectors and trends about their industry is generally lacking. The non-profit, GuideStar International, aims to build a global network of websites with detailed reports on countries' civil society organisations to make them more visible to those who wish to support their work. Across Asia, this is an ambitious and daunting goal. So far, only GuideStar India's website is operational and lists just 1,600 of India's three million or so registered non-governmental organisations (NGOs). In South Korea and Japan there is preliminary development of the GuideStar model. In Asia, there is also a marked lack of sector analysis, and even in developed markets this is still a growing field. New Philanthropy Capital (NPC) is one such organisation in the U.K. that openly publishes sector reports in areas such as families with complex problems; employment and mental

health problems; and reoffending, and carries out privately-commissioned research and analysis for donor clients. Sector reports may recommend best-in-class non-profits active in these fields. NPC once collaborated with an Asian organisation (Copal Partners) on a landscape study of philanthropy in India (Black, Chand, Dutta, Fradd and Gupta, 2009), but there remains enormous potential throughout Asia for high quality analytical output on the region's pressing social issues and the non-profits that address them.

One timely initiative in Asia is Shujog, the research and advocacy arm of the Impact Investment Exchange Asia (IIX), which has started publishing sector analysis on social enterprises and impact investment funds in the region. Its recent report on social enterprises in India is one of the first landscape studies to highlight this sector (Shujog and Asian Development Bank, 2012). The Foundation for Youth Social Entrepreneurship (FYSE), a Hong Kong-registered non-profit, directly supports social entrepreneurs in China and develops the ecosystem through research and analysis. FYSE's 2012 China Social Enterprise Report is the first in what it envisages as an annual state-of-the-sector in China to map the changing landscape of social enterprise.

There is scope for more such research and analysis intermediaries in Asia, and private philanthropy has a potential role to subsidise the costs of their start-up and operations, as in all the preceding examples. We saw earlier that Dasra's giving circles are driven by high-quality research that provides the sector analysis and shortlisting of non-profits necessary as a first step for each group to decide its investing strategy. Dasra's innovation is to make focused

research and analysis the first step in building a committed circle of donors.

The information and analysis deficit is not restricted to demand-side such as non-profits and social enterprises. Private philanthropy organisations are notoriously reluctant to reveal details about their finances, operations and impact, unless required to do so by regulatory bodies. And yet, an effective philanthropy market has accurate information available for both the demand and supply of capital. In mature philanthropic jurisdictions, disclosure of assets, accounts and details about grants dispersed is mandatory and provided online by tax departments or regulators.

In Asia, most philanthropy remains very private indeed. In Singapore, a country consistently perceived as having a low corruption/high transparency culture¹⁷, grant-making foundations are required to file annual data and financial returns by the regulator. But they are not required to disclose such information publicly, unless they are licensed for public fundraising. Several progressive Singapore registered grant-makers do openly reveal financial data such as grants dispersed in their annual reports, but information about endowment, income or investments remain private. Generally in Asia, as globally, there is little compulsion to disclose financial and other data for private foundations. Funds that are more commercially structured such as some impact investment funds, are not registered as charities and are even less likely to offer financial data, which may be commercially sensitive. It might be argued that greater transparency by capital providers is not an essential factor in making the social capital market more efficient, and that philanthropy has a right to be private. American foundations have wrestled

with transparency and disclosure since they came under the unprecedented public scrutiny of McCarthyism during the 1950s, when Russell Leffingwell, Chairman of the Carnegie Corporation, called for philanthropic foundations to have 'glass pockets' – that is to say, nothing to hide. Since 2010, the Foundation Center's glasspockets.org web portal has helped U.S. foundations become more open about the financial data, the grant programmes and, perhaps most valuably, information about the effectiveness of their work through project evaluations and impact studies. There are signs of a new global conversation about data collection by grant-makers and impact investors about their own activities (rather than the non-profits they support)¹⁸ to promote an open source culture of collective learning. Some have even gone as far as suggesting a global data charter (McGill, 2012) to standardise what data is collected by whom globally.

In a regional context where there is highly variable information publicly available about foundations, it is interesting to see an important innovation emerge from China. In just two years since launching in 2010, China Foundation Center (CFC) based in Beijing, is making contributions to the documenting and analysing the nascent foundation sector. CFC was conceived by Xu Yongguang, an entrepreneurial civil society thought leader and foundation pioneer, who persuaded a consortium of Chinese foundations to replicate the success of the Foundation Center in New York, which had tracked the American foundation sector since 1956. CFC's data tracking and research capacity is impressive for an emerging philanthropy market. Its commitment to benchmarking transparency in the Chinese foundation sector may well be a model to be replicated by others in the region. CFC is a good example of

collaboration and openness to sharing resources and know-how. Start-up funding from Chinese foundations, a partnership with the Foundation Center, the Hauser Center and the Ford Foundation helped a timely and potentially game-changing initiative come to fruition.

CFC launched its Foundation Transparency Index in 2012. The index uses a remarkable 60 indicators under four headings (Basic, Financial, Project, Donor) to rank the 2,700 private and public foundations listed on the centre's website, which complements an entry on each foundation's listing of basic information including assets, income and disbursements. Astonishingly the Index is updated weekly, providing a real time analysis of 'who is up and who is down' in Chinese grant-making transparency. Even Singapore has taken note of this development from China, with former Prime Minister Goh Chok Tong applauding CFC's achievements in wider remarks about Asia's need to improve charity governance¹⁹ (**See Profile: China Foundation Center, p. 114**)

The growth of private philanthropy and social entrepreneurship in Asia has stimulated interest in the region's

¹⁷ For example see the *Corruption Perceptions Index compiled by Transparency International*. In 2011 Singapore was 5th out of 182 countries ranked for perceived levels of corruption.

¹⁸ For example, see the *Alliance special issue on what data can do for philanthropy, Alliance, Vol. 17, Issue 3, September 2012*.

¹⁹ Mr Goh made these remarks in a speech on 7th April 2011 at the *Credit Suisse Philanthropists Forum, Singapore*.

academic institutions in both research and teaching, and much of this funded by philanthropy. In Singapore, for example, the Lien Centre for Social Innovation is housed in Singapore Management University, and the Asia Centre for Social Entrepreneurship and Philanthropy is located within the National University of Singapore's business school. Both were initiated through private philanthropic gifts. In China, the first academic institution to focus on the country's philanthropy sector was established in Beijing Normal University in 2010 with a grant, and active involvement from the Jet Li One Foundation. The China Philanthropy Research Institute (CPRI) led by a former senior charity regulator of the Ministry of Civil Affairs, has amongst its objectives the building of professional talent in the China foundation sector, and has partnerships with American academic and foundation institutions. In 2011 the Jet Li One Foundation severed its relationship with the Red Cross Society of China, to be re-established as a public foundation in Shenzhen, setting a precedent for an NGO foundation affiliated with a government-run organisation being transformed into a foundation with a public fundraising license. In its continued partnership with

CPRI, the One Foundation offers training seminars to print and broadcast media journalists who are particularly innovative in the context of China. The training "will help create a new generation of media people who understand the non-profit sector" says Amy Zhou, a board member of the Jet Li One Foundation.

As well as putting philanthropy and social enterprise on the research agenda, a number of academic institutions, particularly business schools, are following the U.S./European trend of incorporating these topics in their teaching curricula. Several of the Indian Institutes of Management, Keio University in Tokyo²⁰, The Chinese University of Hong Kong, Hong Kong Baptist University, National University of Singapore, and Swinburne University in Melbourne are just a few of the institutions that are meeting student demand for incorporating social finance and social entrepreneurship into taught programmes. The potential for professional courses on such topics to influence the thinking and practice of a future generation of business leaders in their own personal philanthropy journeys or career choices is intuitive. Philanthropists and their foundations can contribute by funding the advancement of such courses and being the living case studies for teaching materials. While a few universities are starting to offer courses aimed at the professional development of young people who want a career in the non-profit sector, there is very little currently available that targets philanthropists and senior professionals in grant-making or impact investment funds²¹.

Donor Collaboration & Brokerage

We have seen that market intelligence, analysis and research provide information for better decision making. That is often not enough to bring philanthropic transactions to fruition. Further

lubrication of supply and demand in the marketplace is often needed for deals to happen. Donor collaboration and brokerage platforms can help bring this added efficiency. We saw earlier that community foundations play a role in connecting local donors with local non-profits, which is partly a brokering function. Much of this kind of connecting activity is made by philanthropy advisory organisations in Asia – usually acting on behalf of donor clients. The philanthropy advisory arms of private wealth managers strive to meet the demand from their clients (who are increasingly in Asia) for services beyond wealth protection and enhancement to strategies on giving, including introductions to high potential charitable organisations. Durreen Shahnaz, founder of Singapore-based Impact Investment Exchange, believes that wealth managers are still far behind the curve in providing philanthropy advice and viewing philanthropy as an asset class when advising clients. "Private bankers are becoming irrelevant" said Shahnaz provocatively, at a summit of wealth managers in Singapore²² because "they are out of touch with their clients' needs and wants". She makes these critical remarks because a new generation of Asian HNWI investors are interested in their legacy as citizens and not solely in maximising high yields. Philanthropy advisory services are increasingly an important and prominent offering of wealth managers in Asia, coupled to their funding independent research and convening forums for their clients. Boutique advisory firms are beginning to spring up, particularly in new philanthropy markets where public information about non-profits and research capacity is particularly scarce, e.g. Social Venture Group and Venture Avenue, both in Shanghai, offer advisory and project management services to philanthropists inside and outside China. When donors find themselves chasing

²⁰ *When Keio University, Tokyo's most prestigious university, celebrated its 150th anniversary in 2008, formal events included a series of seminars on social entrepreneurship.*

²¹ *The Asia Centre for Social Entrepreneurship & Philanthropy at NUS Business School, Singapore is developing the curriculum for a learning platform for thought leaders in philanthropy.*

²² *Asia Private Banking Investment Advisory Summit, Singapore, 2012, quoted on www.asiaix.com.*

or carrying out costly due diligence on the same organisations for potential investment, it makes sense to collaborate. The Artha Platform was initiated by Rianta Capital during its search for investable social enterprises in India. As a family office-linked impact investor, Rianta witnessed the inherent inefficiencies and high costs of multiple investors screening the social enterprises from the same small pool. Donor-led information and brokerage platforms like Artha help reduce the duplication and effort of screening potential investments, saving time and money for both fund and investee, and provide opportunities for co-funding and syndication (See Profile: Artha Platform, p. 116).

China, like India is another emerging market for impact investors. An informal network of impact investors in China is being launched as a collaborative initiative of Transist Impact Labs, LGT Venture Philanthropy, Yimei Capital and Lanshan Social Investment. The network will help funds interested in investing in Chinese social enterprises to share deal flow, market information and other resources²³. Toniic is a small, global collaborative of highly engaged individual impact investors whose members and entrepreneurs share deals monthly, connecting on the ground in San Francisco, Amsterdam and India and logging in via video conferencing.

Former investment banker Durreen Shahnaz founded the Impact Investment Exchange Asia, with seed funding from the Rockefeller Foundation, Asian Development Bank and the Economic Development Board of Singapore. In 2009 IIX launched Impact Partners, an exclusive network where impact investors have access to business plans of social enterprises seeking private investment capital. The online platform matches investors to pre-screened

enterprises against preferred investment criteria. A second, related initiative of IIX, scheduled for launch in late 2012 is Impact Capital, a trading platform that provides stock exchange-like services such as listing, trading, clearing and settlement of securities (See Profile: Impact Investment Exchange Asia, p. 119).

IIX is an example of the global movement to adapt brokerage and trading platform systems used in the commercial investment world into the service of social enterprises. The Social Stock Exchange in London plans to launch a securities exchange, a social stock exchange and an early stage investment exchange that will help build a pipeline of investment-ready social enterprises for initial public offering. This exchange methodology has also been explored in Brazil and Mauritius. It is too early to tell how successful such stock exchanges will be in overcoming considerable logistical and regulatory hurdles. Their initiation and development has only been possible because of the foresight (and enlightened self-interest) of grant-making foundations, most notably the Rockefeller Foundation.

The Impact Investment Disconnect – Pipeline Development

Even if market intelligence was more readily available in Asia and donor collaboration brought efficiencies, a steady pipeline of investable social organisations remains the biggest challenge for philanthropists and impact investors, as was hinted in Chapter 4. Freireich and Fulton (2009) from the Monitor Institute have sketched the likely roadmap for the development of impact investing in the coming decade. They suggested three road blocks would hamper the impact

investment journey unless addressed: (1) poor intermediation, (2) a lack of infrastructure, compounded by the historical bifurcation of philanthropy and social investment; and (3) a low volume of social enterprises meeting basic investment criteria, leading to an inability of the market to absorb the capital available. Two years later, in 2011, a survey of 50 impact investors by JP Morgan validated the insight on absorptive capacity, viewing the greatest challenges to impact investment being a poor track record of successful investments and lack of investment opportunities (Saltuk, Bouri and Leung, 2011). Analysis of historical data from India and Africa collected by Monitor Inclusive Markets (linked to the now-defunct Monitor Group strategy consulting firm) by a joint Monitor/Acumen Fund team led them to suggest that philanthropy has a pivotal role to play in creating a pipeline of investment opportunities for impact investment (Koh, Karanchandaria, and Katz, (2012). The Monitor team's data support the assumption that "innovation is risky" when developing new business models for hybrid social enterprises and businesses that serve poor, mass underserved markets. These are risks that commercially-minded investors (including finance-first impact investors) are unwilling or unable to underwrite, with the authors reminding us that it can take a decade or more to prove and scale innovative business models in India. The development of the microcredit (and later microfinance) industry, from a number of risky innovations to mainstream investment opportunity took decades to achieve and \$20 billion in subsidy along the way – even Grameen Bank took 17

²³ Personal communication to the authors from Lanshan Social Investment, Beijing.

years to reach breakeven. The Monitor team offers a solution to this disconnect in the supply chain for impact investing. With Carnegie's famous business quote in mind – "Pioneering don't pay!"²⁴ – they suggest a role for philanthropy in addressing what they coin the 'pioneer gap' – the lack of financial and other support for social enterprises that are pioneering new business models that potentially lead to impact investment once proven. They describe a role for what they term enterprise philanthropy in providing grants and non-financial support to help an enterprise progress from its design stage to the point where it is ready to embark on scaling up. This value-added grant-funding to early stage social enterprises helps to make them ready for downstream investment by impact investors.

The role played by enterprise philanthropy in supporting early stage renewable energy enterprises in India has been documented²⁵, illustrating how grant-makers such as Shell Foundation, Ashden

²⁴ This is attributed to Andrew Carnegie, the steel magnate and philanthropist, the richest man in the world during his lifetime. It was probably an intended self-irony, as Carnegie did make a fortune out of pioneering the use of steel for railroad construction.

²⁵ Electrifying Bihar in the June 2011 issue of Alliance magazine has several case studies showing how grants and non-financial support has helped Husk Power, Greenlight Planet and other Indian social enterprises become ready for impact investment.

²⁶ Philo Alto reports (Alto, 2012) that LGT's global screened/investment rate is 0.6 percent on 4,000 screened deals. He also reports that Acumen Fund, one of the oldest impact investing funds, with \$70 million loaned over 10 years, has a one percent investment rate on 5,000 deals.

Trust and Lemelson Foundation provide finance for R&D together with business development advice and coaching to bring these enterprises into the domain of interest to impact investors. Using other language, Alto calls this specialist grant-making approach 'impact giving' to distinguish it from impact investing. Enterprise philanthropy (or impact giving) is a niche vehicle that sits within the part of the spectrum we have called 'entrepreneurial philanthropy' in this paper.

In South East Asia, this impact investing disconnect is being addressed by a consortium of impact investors and social enterprise support organisations through an innovative accelerator programme.

In 2007 the Princely Family of Liechtenstein incorporated LGT Venture Philanthropy (LGT VP) in Zurich, Switzerland, as their global philanthropic vehicle for investing in social enterprises. LGT VP found it particularly challenging to source appropriate social enterprise investments in Asia, with a deal rate of just one percent of all prospects screened²⁶. This was a lower figure than other regions where the fund operated, so LGT VP decided to fund the launch of an enterprise accelerator in partnership with four regional organisations - ChangeFusion (Thailand), GEPI (Indonesia), CSIP (Vietnam), and XChange (Philippines). Through this model, LGT VP will develop a pipeline of investable social enterprises by priming early stage ventures **(See Profile: LGT Venture Philanthropy's Smiling World Accelerator Program, p. 121)**.

The LGT VP initiative has three objectives: to provide financial and business planning resources for early stage enterprises, to build the capacity of local support organisations and to encourage more local investors to

participate in innovative philanthropy. This is integrated development of the investment pipeline that both deepens the pool of investment-ready enterprise and fosters the surrounding ecosystem. A decade before CSIP Vietnam began its partnership with LGT Venture Philanthropy, its founder Oanh Pham, then a child protection officer with Unicef, had met Declan Ryan and Deirdre Mortell. Ryan and Mortell were the co-founders of One Foundation in Ireland, a private foundation that was active in tackling child trafficking in Vietnam. The venture philanthropy model of One Foundation inspired Pham to set up an incubator that would support the pipeline of early stage social entrepreneurs in Vietnam. In an excellent example of cross border cooperation, One Foundation seeded the start-up of CSIP and shared what they had learned about supporting young social entrepreneurs in Ireland **(See Profile: The Centre for Social Initiatives Promotion, Vietnam, p. 123)**.

Historically, Shanghai has been a centre for innovation in China. In 2005, when the non-profit sector was at its earliest stages of development, the progressive Shanghai district of Pudong was streamlining the registration process for new charitable organisations. Non-Profit Incubator (NPI) was launched a year later to incubate and help professionalise the growing non-profit sector. Today, NPI has 10 initiatives in four major cities, serving non-profits and social enterprises with ambitious plans for growth. The incubation activities help non-profits during their fragile first two years of life, with a package of grant support and business advice. Recognising the need for larger follow-on funding for those non-profits having potential for significant growth, NPI, together with Lenovo, launched a venture philanthropy fund in 2008. NPI has tried to build its

Figure 2: A Continuum of Financing Tools



offerings across as much of the financing spectrum as possible, recognising that promising social enterprises fall into the many gaps in the finance spectrum (See **Profile: Non-Profit Incubator (NPI)**, p. 125).

A Financing Continuum

Much of the preceding discussion, supported by examples in previous chapters, highlights the need for a continuum of funding across all organisational stages in the lifecycle of non-profits and social enterprises. In the commercial world, entrepreneurs invest their own capital, aided by friends and family in the earliest development of a new business; capital for expansion comes from angel investors and specialist finance providers (for loans or mezzanine funding). Successful businesses with potential may attract venture capital, and later on, private equity financing. Hybrid organisations like social enterprises, also need access to appropriate finance as they grow and innovate. Start-up social ventures need seed funding – ‘friends, family and philanthropy’ will play a critical role to help them get off the ground. Non-profits with potential to expand will find that venture philanthropy offers the right blend of money and advice to help fulfil their ambitions. For early stage social enterprises with business models that

may attract impact investors, enterprise philanthropy or impact angels can provide the grant-funding to make them investment ready. The stages along this spectrum are not as neat and organised as **Figure 2** below suggests. Indeed the fuzziness and overlap between funding types is essential for experimentation and learning. A philanthropist who has up to now used only traditional grant-making, now finds a whole toolbox available and can test new financing models in fulfilment of their personal philanthropic objectives.

Enablers

Enablers are very broad and diverse groups of organisations that try to enhance efficiency in the philanthropy ecosystem through promotion, networking, peer learning or regulation. Broadly, these networks are either supply side (for philanthropists, foundations or funds) or demand side (for charities, social enterprises and social entrepreneurs) in the social capital market. Enabling organisations include:

- Philanthropy or impact investing promotion organisations, including peer networks.
- Social entrepreneur or social enterprise promotion or support organisations.

- Government and related regulatory bodies.

These intermediaries are generally engaged in activities that are broadly classified as field building rather than offering direct brokering or market information services. These may be networks and associations that provide peer support and awareness raising activities.

Philanthropy and Impact Investment Networks

By some estimates there are over 100 grant-maker associations globally. WINGS (Worldwide Initiatives for Grantmaker Support), an international network of grant-maker associations and grant-maker support organisations has 146 members in 50 countries, covering six regions. Only 15 percent of WINGS members are in the Asia Pacific region according to its website²⁷. While there will be grant-maker support organisations that are not in the WINGS network, the

²⁷ See www.wingsweb.org for a list of current members and membership categories. The membership listing appears to have some inconsistencies. WINGS has at least one member in Australia, India, New Zealand, Indonesia, Japan, South Korea, Pakistan, Philippines and Singapore.

figures suggest Asia Pacific lags behind numerically compared to other regions. As a general observation, grant-makers appear to be very poorly networked in Asia, both in individual countries and across the region, in comparison to their peers in Europe, the Americas and parts of Africa. Even in India, which has a longer, modern history of grant-making than most other Asian countries, there is no national association of foundations equivalent to, for example, the Council of Foundations in the U.S., or the European Foundation Centre. This creates a poor environment for information sharing, peer learning and the fostering of collaboration, limiting the maturation of philanthropy, which is a hallmark in countries where networking is strong. Indian philanthropy thought-leader, Noshir Dadrawala is quoted in Alliance with an interesting anecdote about a recent attempt at setting up a network in India (Milner, 2012): “About a year ago an attempt was made to set up an Indian Philanthropy Network. The first meeting was held in the office of the Tata Trusts. At the second meeting, held at EdelGive Foundation, just a few turned up. It was decided to go for teleconferences but not many joined. Ultimately, after a year, things just fizzled out. And this was for just one reason. Foundations did not find the time... because they probably did not see much value in networking. Each was way too caught up with their own work.”

For many years the Asia Pacific Philanthropy Consortium (APPC) was the only regional peer network dedicated to research and training, and has since been absorbed into Give2Asia, a U.S.-based non-profit philanthropy advisory organisation. And even APPC was not a membership association of grant-makers as such, but a group of thought leaders representing a handful of Asian countries. APPC’s early research base on

philanthropy – history, country profiles, Diaspora giving – still represents a major resource on philanthropy analysis in the region.

Asia’s oldest grant-maker network is Philanthropy Australia, founded in 1977 as the Australian Association of Philanthropy in recognition that in the “the difficult art of giving” foundations should learn from one another about the ultimate benefit of the communities they serve. Today, Philanthropy Australia has a secretariat of 10 staff and a membership of 250 comprising charitable trusts, family philanthropies, corporate and community foundations; and as associate members, professional service firms. The volume and diversity of such a membership allows the organisation to provide professional development training and national public awareness about philanthropy. Philanthropy New Zealand has over 100 grant-maker members and like its Australian neighbour, has an active programme of training and promotion.

Given the relative youthfulness of impact investing, it is unsurprising to find far fewer networks serving this community in Asia. Those that do exist, however, are likely to be more active because of their sense of pioneering a new movement.

The Asian Venture Philanthropy Network (AVPN) has rapidly grown to over a hundred members, as we noted in chapter 2, and is an inclusive network straddling both grant-makers and impact investors. The GIIN impact investor network now has over 100 members with a handful identifiably Asian-based. However, some of the European or U.S.-based members will have impact-investing interests in Asia (e.g. DFID, Oxfam GB, Noaber Foundation, D. Capital Partners). Venture philanthropy fund, Social Ventures Australia, is exploiting

the power of technology by joining with funds from the U.K. (Impetus Trust), the U.S. (New Profit Inc) and Canada (LIFT Philanthropy Partners) to form a global alliance of venture philanthropy funds using Cisco’s virtual telepresence video networking equipment. The group plans regular virtual meetings to better share experience and capture best practices. This is an important initiative for venture philanthropy globally, but clearly further highlights the generally poor networking amongst grant-makers and impact investors within Asia. While there is enormous merit in Asian funds learning from their peers in Europe and North America, there is unexploited potential to learn from each other across the Asian region.

The information and support vacuum caused by the paucity of philanthropy and impact-investing networks in most of Asia is partly filled by individual funders playing a role in promoting philanthropy within their particular peer group. We saw in Chapter 2 that ADM Capital Foundation actively encourages other philanthropy initiatives in the Hong Kong financial services community by co-funding, collaborating and convening Like EdelGive Foundation in India, ADM Capital Foundation leverages its standing in the finance industry to promote a culture of intelligent and informed giving. YouChange and the Jet Li One Foundation in China are two of the new breed of dynamic foundations that have seen their mission as developing the field of philanthropy as much as the programmes they operate or fund. YouChange’s weeklong celebration of social innovation in 2010 during the Shanghai World Expo included an imaginative riverboat trip promoting ‘new philanthropy’ for China. Jet Li, the movie star and philanthropist, has leveraged his celebrity to promote giving amongst the general public (“everyone

can give one Yuan”), corporations and high net worth Chinese.

The overall low base of association and peer learning for foundations and impact investors in Asia is a significant roadblock, and likely to hamper the quality of grant-making and investing, and the pace of innovation in the region. In the U.S., philanthropy support organisations like GEO (Grantmakers for Effective Organisations) promote a culture of self-scrutiny and peer-to-peer learning. In Europe, a recent initiative by EFC (European Foundation Centre) – Shedding Light on Our Own Practice – explores how foundations are assessing their own organisational effectiveness at a time when European foundations are “developing a greater appetite for self-questioning” suggests philanthropist Charles Keidan (Symonds, Carrington and Weisblatt, 2012).

Even convening events such as conferences and seminars aimed at philanthropists are relatively sparse in Asia. Events promoting social entrepreneurship or innovation are on the rise, as we see below, and these often attract a mixed audience, including philanthropists. The inaugural Philanthropy in Asia Summit was held in Singapore in September 2012, an innovation that aims to give Asian philanthropy a local platform and identity. The Summit was initiated by the California-based Global Philanthropy Forum (largely a base of U.S. donors with an international outlook in funding) and Singapore’s National Volunteer and Philanthropy Centre, together with the U.K.’s Resource Alliance and Community Foundation of Singapore. The Summit attracted 190 delegates, from 19 countries (14 in Asia). Most participation was from within ASEAN countries, with half of the delegates coming from the host nation. The organisers have not

yet publically committed to the timing of further summits, at the time of writing. Other philanthropy-focused networks tend to be linked to the small number of active grant-making associations and attract a domestic audience, or the proprietary meetings of wealth managers. The Asian Venture Philanthropy Network plans to hold a major annual, regional conference in addition to workshops around Asia. The annual gatherings of its sister network in Europe (EVPA) have gained momentum since the first meeting in 2005, and provide an unusually diverse platform for practitioners (in the venture philanthropy and impact investing space), more traditional grant-makers and individuals from the financial services sector interested in philanthropy. Large, regional conferences like the Philanthropy Summit and AVPN’s annual conferences face the Asian challenges of significant travel distances and language, which are lesser barriers for events held for constituencies in the U.S. or Europe.

Social Entrepreneur/Enterprise Promotion and Support Organisations

It is in the interest of entrepreneurial philanthropy to support the growth and quality of emerging social entrepreneurs and their ventures, just as a vibrant entrepreneurship community serves the venture capital industry. Since the pioneering work of Ashoka in India 25 years ago, social entrepreneurship is now recognised and celebrated globally. The U.S.-headquartered Ashoka: Innovators for the Public today supports social entrepreneurs in 10 Asian countries; the Geneva-based Schwab Foundation for Social Entrepreneurship has a strong Asian presence and through its partner, the World Economic Forum, can promote Asian social entrepreneurs on a global platform. In more recent years,

the promotion and support of social entrepreneurs has become much more locally-rooted and less dependent on non-Asian based organisations. It is not unusual for the terms ‘social entrepreneurship’ and ‘social enterprise’ to be conflated and not distinguished from each other, although some support initiatives are focused on the entrepreneur as individual, while others support the organisational form (the enterprise). The table below illustrates a selection of a rapidly growing number of initiatives in Asia that promote social entrepreneurship/enterprise as a movement or actively support individual entrepreneurs.

While social entrepreneurship in Asia has been vigorously promoted from outside the region, the movement has firmly taken root with numerous indigenous supporting organisations active in virtually every Asian country. There are social enterprise support associations in Singapore, the Philippines, South Korea, Indonesia, New Zealand and many other Asian countries that provide practical advice to social entrepreneurs and advocate for a more supportive regulatory environment for social enterprise. An expanding number of social innovation parks now operate in Singapore, China, Japan and Indonesia, offering incubation and mentoring to young social entrepreneurs. Several conference platforms have emerged as venues that bring together social entrepreneurs and potential investors while also promoting social enterprise to the general public and government. In India, the Khemka and Sankalp Forums are annual events with high media profile. The annual Hong Kong Social Enterprise Summit started modestly in 2008 and is today a flagship forum for practitioners in Hong Kong, China and further afield in Asia, and is more recently very actively supported by the Hong Kong SAR government.

Table 2: Asian Social Entrepreneurship/Enterprise Enabling Initiatives

Social Entrepreneurship/Enterprise Associations and Networks	Country	Note
Singapore Social Enterprise Association <i>www.seassociation.sg</i>	Singapore	
Indonesian Social Entrepreneurship Association <i>www.aksi-indonesia.org</i>	Indonesia	
Philippine Social Enterprise Network Inc. <i>www.philsocialenterprisenetwork.com</i>	Philippines	
Social Entrepreneur Fellowship Schemes	Country	Note
ECSEL Fellowship <i>www.ecselfellows.org</i>	China	
Paragon Fellowship (Foundation for Youth Social Entrepreneurship) <i>www.paragon100.asia</i>	Asiawide	
Social Entrepreneur Training, Mentoring or Business Plan Competitions	Country	Note
Social Venture Competition Asia <i>http://www.socialventure.or.kr</i>	Korea, Hong Kong, Taiwan, Japan	A business plan competition for students and graduates. The regional winner enters the Global Social Venture Competition
School for Social Entrepreneurs <i>http://www.sse.org.au</i>	Australia	Action-oriented learning programmes for social entrepreneurs at start-up or growth phases.
Social Innovation Park International <i>http://www.socialinnovationpark.org</i>	Singapore, China, Japan, Indonesia, Kashmir	
Social Entrepreneurship/Enterprise Conferences	Country	Note
Hong Kong Social Enterprise Summit <i>www.social-enterprise.org.hk</i>	Hong Kong	An increasing number of delegates come from mainland China. The Summit is endorsed and supported by the Hong Kong SAR Government.
Khemka Forum on Social Entrepreneurship <i>www.khemkafoundation.org</i>	India	A big tent meeting for social entrepreneurs, philanthropists, social investors and academics.
Lien Centre for Social Innovation, Social iCon innovation conference <i>http://www.lcsi.smu.edu.sg/</i>	Singapore	A biennial cross sector event to stimulate social innovation
Sankalp Forum, India <i>http://sankalpforum.com/</i>	India	The annual summit is only one of several linked initiatives that Sankalp calls its 'ecosystem', connecting hundreds of social enterprise and potential investors. Sankalp is an initiative of Intellectap, the advisory company for underserved markets.

Historically, social enterprises have often emerged out of a parent non-profit organisation, driven by a need to diversify income, than any particular entrepreneurial urge. It is perhaps uniquely in China that the growth trajectory of social enterprise is not tied to the charitable sector, where the process of registering a non-profit NGO is virtually impossible, and there is no legal entity for social enterprise. The practical solution for a social entrepreneur is to register a limited company. Bypassing the traditional non-profit route in countries where registration is challenging may in fact promote the entrepreneurial approach to creating social value through trading in what is potentially the largest social enterprise market in Asia.

Awareness about social enterprise in China can be traced back to only as recently as 2004, when Global Links Initiative²⁸ organised the Sino-British Symposium on Social Enterprise/NPOs and the visit to China by experienced U.K. social entrepreneurs. Further impetus came from a number of academic articles in China and the launch of the China Social Entrepreneur Foundation in 2007 (later operating as YouChange – see profile in Chapter 5). The flow of social enterprise experience from the U.K. deepened when YouChange partnered with the British Council to pilot the Skills for Social Entrepreneurs Programme in 2009. The British Council's programme is a conduit between Asian countries exploring social enterprise and the experiences of the relatively mature U.K. social enterprise environment, and it supports social entrepreneurs through business plan competitions and skills training. Budget constraints forced the Council to leverage funds locally with Chinese foundations and support intermediaries, which in fact had the advantage (over traditional aid programmes) of anchoring the

initiative in truly local partnerships. The programme's five thematic areas included capacity building (training and mentoring using local, Chinese trainers), an award scheme (funded by YouChange and the Narada Foundation) and public awareness-raising in Chinese universities. The initiative has a dedicated Mandarin language resource website²⁹ and has expanded geographically to Indonesia, Vietnam and several non-Asian countries.

Social enterprise development in Japan faces a very conservative business culture, although a 2011 report (Laratta, Nakagawa, Masanari, 2011) indicates that this is beginning to change as the general public seeks a more holistic role for the private sector in society (as we saw in the profile on Social Venture Partners Tokyo). Ashoka has been present in Japan only since 2012, in on other Asian countries much longer, so Japan is relatively behind in the development of social entrepreneurship. It appears that major natural disasters in Japan have provided opportunities for social enterprise to demonstrate the value they bring to communities³⁰, starting with the Great Hanshin (Kobe) earthquake in 1995 which first mobilised a civil society response to community need. The 2011 nuclear disaster in Fukushima catalysed several initiatives by social entrepreneurs to reach into impacted areas with programmes in immediate relief, clean up and even transport.

In Chapter 4 we saw the venture philanthropy model of Social Ventures Hong Kong (SVhk). It is not uncommon for funds to see their purpose in helping develop the field of social entrepreneurship in addition to their core activity of direct investment. SVhk developed the Sonova Institute as a creative vehicle to help grow the social enterprise ecosystem, capture

the public's imagination and get more people directly involved in supporting this growing sector in Hong Kong. The breadth of Sonova Institute's activities is an imaginative approach to fostering the social business ecosystem in Hong Kong and engaging the fund's partners, potential donors and the general public. Its activities include:

- House of Social Entrepreneurs: Nurtures social entrepreneurial talent from the island's numerous social enterprise business plan competitions, offering connection to mentors, experts and others who help ideas grow from concept to reality.
- Social Innovation Academic Series: A linkage with several Hong Kong universities providing course on social innovation and entrepreneurship.
- Sonova Explorer: Offers a half-day package tour to three of SVhk's social enterprise portfolio – experiencing their businesses in an engaging and informative way.
- Sonova Hour: A cocktail hour ideas-event that brings social enterprise professionals together with those interested in ways to tackle Hong Kong's pressing social issues.
- Sonova Lab: A hands-on workshop for universities and business groups that guides participants through the process of innovative thinking.

²⁸ *Global Links Initiative is a non-profit organisation that promotes the exchange of citizen led ideas in UK, Japan and China. See www.glinet.eu.*

²⁹ <http://gongyi.sohu.com/s2010/qiyejia/>

³⁰ *Japanese Social Enterprise: triumph in the face of adversity, Guardian, 18th September 2012, www.guardian.co.uk.*

- Asia Social Innovation Awards: This collaboration with the annual HongKong Social Enterprise Summit, is a high-profile event with increasingly wider regional participation.

Business plan competitions provide one entry point for social enterprise promotion through the business education system. The Global Social Venture Competition (GSVC) partners with three Asian institutions – Thammasat University, Thailand, the Indian School of Business and Social Enterprise Network of Korea – for business planning competitions and mentoring for early stage social entrepreneurs. The Korean partnership has now widened the competition to Japan, Taiwan and Hong Kong.

Building on the tradition of final-year university students in Thailand to engage in rural development projects, Sunit Shrestha and fellow students at Thammasat University formed Thai RuralNet, which evolved into Change Fusion, a multi-faceted intermediary organisation that offers support to social investors and social entrepreneurs.

Change Fusion is an advocate for changes in government policy, a direct investor in early stage enterprises and an incubator that spins off initiatives in social innovation ([See Profile: Change Fusion, Thailand, p. 127](#)).

The Role of Government and Regulation in Philanthropy

The philanthropy ecosystem of resource providers, intermediaries and enterprises operates within policy and regulatory environments that will be highly dependent on national jurisdictions. In Asia, as globally, some national legal frameworks will be pro-philanthropy, pro-social enterprise, embracing the need for flexibility when dealing with

innovative approaches and hybrid organisational structures. Others will not have yet taken such a progressive view of private philanthropy or the quasi-commercial, quasi-social approach for social entrepreneurs. It is beyond the scope of this study to compare in any depth government policy and regulatory position on philanthropy and the non-profit sector across more than thirty jurisdictions, which constitutes a major research study in its own right. We can here only highlight a selected number of examples of where governments have provided regulatory and tax incentives to provide a supportive environment for either philanthropy or the non-profit sector, in particular social enterprise.

In China, where foundations form part of a civil society universe that must conform to State and Party priorities, there is progress in laying out a regulatory framework broadly supportive of an independent philanthropy environment. In the 1980s, when the concept of a civil society organisation was first accepted, there were 140 registered foundations, a number that has grown to over 2,000 by 2012. In 2004 State Council passed new Regulations on Foundation Administration, which for the first time highlighted legal protection for foundations, donors and beneficiaries. The new regulations differentiated public and non-public offering foundations and created new possibilities for individuals and companies to create foundations. Complex regulations that involved double administration (shuangchong guanli) involving the People's Bank of China, the Ministry of Civil Affairs (MCA) and the State Council are soon likely to be replaced by a streamlined registration involving only the MCA. These are remarkably swift developments, given the pace of legislative change in China and cautiousness of the ruling Party. Authors of China's authoritative

Green Book on Foundation predict "Chinese foundations will grow steadily...especially if political-economic environments...become more favourable." Despite this progress, foundations in China must pay a corporation tax of 33 percent on capital gains and grant disbursements, which is no incentive for placing personal wealth into a charitable vehicle.

The incentives for philanthropy that may come from favourable taxation arrangements towards donors are complex and there is very little comparative research data in Asia. Nearly all governments make provision in their tax codes for some form of relief for charitable donations, although there is large variability on what constitutes a qualifying charity. Singapore, whose government consistently promotes the island as pro-philanthropy, permits tax deductibility for a minority of registered non-profits registered known as IPCs. In 2009, in order to stimulate charitable giving during the economic downturn, tax deductibility was raised from 200 percent to 250 percent of the gift amount, with this policy set in place for six years. It is too early to tell if this has been an incentive for enhanced giving by individuals and corporations, and is anyway masked by the fact that most giving in Singapore is made to organisations (including religious institutions) where there is no tax benefit available. By contrast, tax deductibility in Hong Kong is more liberal and broadly available on donations to most registered charities, including religious organisations and education establishments, including those working outside of Hong Kong. With such large disparities in tax incentives for charitable giving in Asian countries, there will be little immediate prospect for advancing cross-border giving within Asia. The Global Philanthropy Leadership Initiative (a collaboration of the Council on Foundations, the European

Foundation Centre and WINGS) plans in 2013 to launch an index of cross-border philanthropy to aid research and advocacy and is assessing the feasibility of a global treaty to overcome the substantial barriers to giving across national boundaries. A reasonable starting point to explore a regulatory environment that would facilitate cross border philanthropy would be the ASEAN grouping of nations. ASEAN are a relatively closely-knit group, with large per capita GDP variation (adjusted for purchasing power parity, the per capita GDP in Singapore is \$58,871, in Cambodia \$1,787 and Laos \$1,138), which could benefit from effective flows of philanthropic capital.

The innovation we have seen throughout Chapter 4, where the notion of philanthropy is elastically stretched from pure grant-making towards experimentation with mixed financial tools, including debt and equity, challenges traditional regulatory frameworks. We saw how Social Ventures Hong Kong (SVhk) was established as a 'dual engine' structure, allowing the fund to make grants and investments, without personal benefit to its shareholders. As models of traditional philanthropy merge with models of impact investing in Asia to create hybrid entities like SVhk, issues of legal status, charitable identity and tax status will be increasing complex but important. The other side of this regulatory coin is the need for corporate models that recognise the hybrid nature of social enterprises. New legal forms for social enterprises, that recognise their public benefit role while allowing 'commercial' forms of investment, is an area of current debate and activity in the West, leading to experimentation with new forms such as Community Interest Companies (CIC) and low profit, limited liability companies (L3C)³¹.

When governments have succeeded in creating a positive environment for setting up private foundations and provided a fair taxation system, they can add to regulation by encouraging transparency. China Foundation Center (CFC) was successful in making foundation data available to all on the internet because the regulatory requirement for foundations to file financial and programme information already existed. China exceeds most other Asian jurisdictions in the amount of information that must be publicly filed by philanthropic organisations. CFC's innovation was to take this basic information, make it easily available in a format useful for analysis, and to encourage foundations to make further disclosures for the sake of industry transparency.

Almost all Asian governments recognise the potential contribution that social enterprises can make to inclusive economic and social development in the region. Social enterprises became recognised in East Asian countries from 2000, gaining rapid traction over the last decade among policy makers (Defourney and Kim, 2011). The term and practice has evolved non-uniformly in several countries and only in South Korea has a definition been codified through specific legislations. In 2011 the Social Enterprise Promotion Act led to the setting up of the Korea Social Enterprise Promotion Agency (KoSEA), which is mandated with an ambitious range of activities including the training of social entrepreneurs, extension of a certification and monitoring system for social enterprises. KoSEA is a deliberate attempt by government to create a well-functioning ecosystem in which social enterprises can be promoted, resources and regulated.

The Singapore government has actively supported social enterprise on the island since 2003, with creation of the Social Enterprise Fund (SEF) to encourage and nurture social enterprises. In June 2005, the Social Enterprise Fund (SEF) was repositioned as the ComCare Enterprise Fund (CEF) and is managed by the newly-reorganised Ministry of Social and Family Development. CEF aims to provide seed funding for sustainable new and existing social enterprises focused on training and employment 'for self reliance'— a key value of government policy. It does not fund social enterprises in the arts, cultural, health or environmental sectors. In March 2012, the high-profile President's Challenge Social Enterprise Award was set up by the Office of the President to recognise the contributions made by outstanding social enterprises in the social services sector.

Despite the slow start for social enterprise in Japan, the new liberal government, which came to power in 2009, is publicly supportive of social enterprise, and in 2012 commissioned 30 new co-operative businesses or social enterprises. The government's key economic strategy white paper in 2010 saw a role for social entrepreneurs "to promote the creation of local community employment". Even since 2003, local governments, for example in Osaka, have provided some support to build social enterprise networks.

³¹ See for example, *the regulation of Community Interest Companies in the U.K.* (www.bis.gov.uk/cicregulator/) and *the L3C model in the US* (<http://www.socialentrepreneurship.com/l3cs-limited-liability-low-profit-companies.html>).

While state and central governments in India are keen to engage the private sector in social development, the language of social enterprise is seldom used, referring instead to micro, small and medium enterprises (MSMEs) as a priority lending sector for which capital in the form of loans, grants and equity is available at state level (Shujog and Asian Development Bank, 2012). A micro enterprise is seen as needing an initial capital outlay of only \$50,000, which will include most small social enterprises. A Prime Ministerial task force recommended a fund of \$1.1 billion to support this sector, which will include many for-profit social enterprises requiring initial capital outlays of below \$2 million. The Indian government is also considering regulatory policies that would distinguish 'social venture funds', effectively impact investment, in a public consultation held by the Securities and Exchange Board of India.

In 2009, the National Social Enterprise Committee was formed under the leadership of the Thai government to promote social enterprise as a means to address social inequalities through inclusive economic development. The government's Social Enterprises Master Plan (2010–14) led to creation of the Thailand Social Enterprise Office (TSEO), endorsed by Cabinet to implement policy on social enterprise in Thailand. TSEO has been instrumental in promoting public understanding of social enterprise, providing seed funding and developing policy and sector accreditation (See [Profile: Thailand Social Enterprise Office, p. 129](#)).

Summary & Conclusions

As different parts of the investment ecosystem get pieced together in an often experimental and ad hoc way – venture philanthropy, enterprise

philanthropy, impact-first and finance-first impact investors, intermediaries and enablers – there is a greater call for a properly-integrated solution to complex social problems, what Antony Bugg-Levine calls 'Complete Capital'. In one sense this is not contentious, like motherhood and apple pie, but in reality the difficulty lies in making the system holistic and collaborative in the face of historical divisions between philanthropic and commercial capital and generally unaligned interests, objectives and methods. Bugg-Levine is correct to assert that individual innovations like impact investing, donor collaboratives, trading platforms or regulatory changes can only "reach their potential...when integrated more effectively". We will need to move from a few flagship anecdotes about successful integrations to a tipping point where integration is normative.

Since 2008 the seismic disruptions to global commerce have catalysed soul searching and radical thinking about the nature of business and its relationship to society and the common good. In *The Nature of Business*, Hutchins (2012) explores how business today can learn from the resilience of the natural world. Challenging myths about Darwinism that assume the survival of the fittest, he argues that a better interpretation is 'survival of those who fit' by adapting through networks and partnerships. Key to business learning from nature is to value collaboration more than competition – "collaboration interconnects artificial separations in business, encouraging sharing, creativity, empowerment and innovation". For Hutchins the 21st century business is "redesigning for resilience". The ecosystem of social innovation, which includes philanthropy and social enterprise, has probably long practised collaboration more intuitively than the

commercial ecosystem. There is perhaps a more natural culture of open source sharing, learning and collaboration when nurturing the philanthropy ecosystem. Even so, when talent is in short supply, there are too few good social enterprises being chased by the same investors, and there will be competition for people, ideas and resources.

We have seen that philanthropy operates not in isolation but within an ecosystem where financial and human capital meet initiatives and organisations whose activities promote beneficial change for the public good. For capital to flow efficiently and effectively, there has to be intermediation. Intermediation can be indirect: information, research and analysis; or direct: brokering and donor collaboration. Intermediation is facilitated in an enabling environment – where philanthropy and social entrepreneurship are positively promoted and regulated. In Asia there is not the same culture of disclosure about philanthropy that we find in North America or the U.K. Philanthropy, as a sector, is not likely to flourish and gain broad public support if it operates within the shadows. Even when private foundations benefit from favourable tax regimes, they are not always compelled to disclose financial details publicly. China Foundation Center is demonstrating regional leadership in providing basic information about the activities of the rapidly-emerging foundation sector. Beyond basic financial and operational disclosure, philanthropy in Asia will be stronger if there is greater sharing about programmatic outcomes (what works and does not), through peer networking within Asia and globally. We are slowly seeing progress in market analysis of social enterprises in Asia, with independent contributions being made by Shujog, FYSE, Bain and others.

The social capital market is inefficient when, as is quite often the case, the same donors or investors, are chasing the same potential investments, duplicating effort by carrying out costly due diligence. The Artha Platform in India is an innovation in donor collaboration to create efficiencies in the search for investable organisations. IIX-Asia is pioneering the concept of a trading exchange for Asian social businesses. The disconnect between the universe of small but ambitious social enterprises, and impact investors looking for proven, scalable models needs to be bridged through enterprise philanthropy, focused on building the pipeline of investment ready organisations. LGT Venture Philanthropy and its partners are accelerating small enterprises through pipeline development.

The ecosystem is strengthened when its components are enabled. While social entrepreneurship is being promoted through networks and policies, philanthropy in Asia is under-networked, lacking the mechanisms for peer learning and professional development found in Western philanthropy. While this is slowly changing with the efforts of global initiatives like GIIIN and regional ones like AVPN, there is still some way to go to create the learning and collaborative environment that will help maximise the impact of disconnected philanthropic initiatives.

Asian governments have a key role to play in providing the supportive regulatory environment for both philanthropy and social enterprise to flourish. Several are responding to the opportunities afforded by the rise of private philanthropy and the potential contributions that social enterprise can make to economic and social development.

Recommendations

- We recommend that grant-making foundations in Asia be committed to greater self-disclosure about their policies and operations.
- We recommend that the Transparency Index pioneered by China Foundation Center be replicated in other Asian countries, perhaps through an independent regional organisation for promoting good grant-making practices.
- We recommend that online platforms for donor/investor collaboration of the sort modelled by Artha Platform in India become the norm throughout Asia for national and cross-border investing.
- We recommend that enterprise philanthropy be promoted amongst grant-makers to help build the pipeline of impact investment ready social enterprises in Asia.
- We recommend independent research be funded that explores the comparative advantages of new legal forms for hybrid capital providers (blending grant-making and impact investing) and social enterprises (recognising public benefit and permitting commercial investment).
- We recommend that Asian governments continue their broad regulatory support for social enterprises and that specifically ASEAN explore mechanisms for effective cross border philanthropy within its community.
- We recommend that philanthropic funds give grant support to organisations that are providing high quality research and sector analysis.

China Foundation Center

From the modest offices of China Foundation Center (CFC), near the Lama Temple in Beijing, Tao Ze recalls the remarkable prescience of registering the centre's website domain some 12 years before the organisation was founded! "Shortly after he'd set up the China Youth Development Foundation in the 1989 Mr Xu Yongguang started gathering foundation leaders together, to debate issues like transparency," explains Tao Ze, "and when they discovered that a foundation centre existed in New York, they thought 'someday, we should learn from them'." Fast forward to 2012 and China Foundation Center is celebrating its second birthday with Xu Yongguang its founding chairman, having been established by a group of leading Chinese foundations with assistance from the Foundation Center in New York, the Hauser Center at Harvard and the Ford Foundation.

This anecdote about Xu is unsurprising, for he is one of China's most influential and entrepreneurial foundation practitioners. Under his leadership, the China Youth Development Foundation pioneered the building of more than 12,000 rural schools under its Hope Project brand (xiwang gongcheng), which became a template for public charitable participation in China. In 2007, Xu went on to launch the much-respected Narada Foundation (better known in China as nandu gongyi jijinhui) with a 100 million RMB (\$15.7 million) from the Shanghai Narada Group, one of China's largest property development corporations. Tao Ze recounts how "during a regular business trip to New

York in 2009, Xu Yongguang made a side visit to the Foundation Center, where he was astonished by the power of their database of all U.S. foundations". On return to Beijing Xu kick-started China Foundation Center.

In just two years, China Foundation Center is having a profound influence on the sector it monitors, by gathering, analysing and disseminating a rapidly-growing body of data. It has been an uphill struggle admits Tao Ze, CFC's Vice President, who estimates that "108,000 emails, 8,000 phone calls and 5,800 hours of staff overtime" were expended in moving its data coverage from a low base in 2010 (16 percent of financial and one percent of project information disclosed by foundations) to where it is today in 2012 (90 percent financial and 50 percent project information coverage). "For us, this is a huge improvement in transparency through disclosure," says Tao Ze. He goes on to explain that all registered foundations, both public and private, must submit full annual reports to central and local government bodies, and that in theory at least, officials should then make them available to the public. The practice is very different and at best very patchy. "When we launched in 2010," says Tao Ze, "only three government departments would offer us the information they collected on foundations. But after intense lobbying we have increased that to 15, and we are currently working on a further 12."

The nature of Chinese society, especially the delicate relationship between civil



<http://en.foundationcenter.org.cn/>



society organisations and government, means that it is always necessary to play a long game if innovation and change are to materialise. Tao Ze notes that "more than 20 years ago several of our founding members, notably Narada, Amity Foundation, the China Youth Development Foundation and China Foundation for Poverty Alleviation, were already sowing the seeds of openness and transparency in the sector". Today that is bearing fruit, aided in no small part by low cost technologies, including the widespread availability of the Internet in China. The backbone of CFC's reporting, all of which is freely available in Mandarin on its website, is a database developed locally, although clearly inspired by that used by the Foundation Center in New York.

More recently, CFC has started to publish trend reports in English, after analysing the raw data it is amassing. In 2012, it published trend analyses in three areas using data from the previous year on University Foundations, Shanghai Foundations and Civil Foundations. These are breakthrough reports for the sector, illustrating the power of data and analysis. In its typological analysis, CFC has introduced the term

'Civil Foundation' to denote a legally-registered entity that is initiated by a non-governmental institution such as an individual or enterprise, and operated independently. Corporate foundations established by state-owned enterprises are disqualified, but many corporate, family and community-based foundations make up the bulk of this group, numbering 873 in November 2011. Of these, the majority (92 percent) are registered as private foundations under Chinese law. Only a third of Civil Foundations had websites (an indicator of transparency) so there is still some distance to be travelled in encouraging foundations to publicise their work and make their activities transparent. In the latest year for which financial information is available, the 609 Civil Foundations existing in 2010 has an aggregated asset base of 8.7 billion RMB (\$1.4 billion).

Tao Ze notes that the vast majority of Chinese foundations, whether public or private, are operating foundations, meaning that they directly implement social, educational or cultural programmes themselves. The concept of foundation as grant-maker is still relatively new, and constrained by the historical lack of quality non-profits and social enterprises. Tao Ze thinks there might be "less than 50 grant-makers" in China, but that "grant-making is something we want to actively encourage in the coming years, as we see more and more credible grass root organisations with the ability to design and deliver high quality programmes".

Building on its core value of promoting public transparency by foundations, CFC's latest innovation is the Foundation Transparency Index, which ranks all 2,700 Chinese foundations against a remarkably comprehensive checklist of 62 transparency indicators.

Although still under development, the index will band foundations according to the level and quality of publically-disclosed information about their activities, finances and governance. Tao Ze's vision is that "this index will become the transparency standard for the foundation sector in China". This is a bold step for such a young industry, set in an environment where information is habitually controlled, and Tao Ze is realistic about how quickly it might be adopted: "We will hold a roadshow among the top 500 foundations before we launch the index, promoting the concepts and actively seeking their input on how best to use and promote this initiative."

Beyond research and analysis, there is another CFC initiative of which Tao Ze is particularly proud. In 2008, the China Development Research Foundation submitted its report on childhood nutrition in the poorest areas of Western China to the central government. When it appeared, no action was being taken, so CFC called on six foundations to donate 20 million RMB (\$3.1 million) towards a free school lunch programme in the poorest districts of Western China, and set up an online platform for public donations. CFC then persuaded the main Chinese TV channel, CCTV, to air video footage of the programme. After the journalist Deng Fei posted a message about the initiative on China's blogging site, Sina Weibo, support snowballed in the media, government and the public. In October 2011, Prime Minister Wen Jiabao announced that the central government was to approve a 16 billion RMB (\$2.5 billion) programme to solve childhood malnutrition in Western China. "By mobilising the foundation community and the media", says Tao Ze, "we effectively leveraged the original 20 million RMB donation 800

times, through the ultimate support of central government."

China Foundation Center is also very effective in leveraging its data and analytic skills through academic collaboration. In 2012, the first major independent report on the Chinese foundation sector, *The Development of Chinese Foundations*, was published in English by CFC, Renmin University and China Philanthropy Advisors. The report is a wealth of statistical information on the finances, project areas and human resources of Chinese foundations.

As the Center's impact grows domestically and internationally, it continues its external partnerships with foundation support and research organisations and grant-makers such as the LGT Venture Philanthropy, the Gates and Ford foundations. CFC has started a programme of translating English language materials such as GrantCraft resources into Mandarin. Its vision and impact have not gone unnoticed in Asia too. Speaking at a major philanthropy forum held in Singapore in 2011, Senior Minister Goh Chok Tong noted "the importance of good governance in charities...For example, last year, China launched China Foundation Center to promote greater transparency and accountability amongst foundations. But there is still much that countries in Asia can do to improve charity governance". Innovation sometimes comes from where least expected; perhaps China will take a leading role regionally in promoting greater openness by foundations.

Artha Platform

The Artha Platform is an initiative of the philanthropic arm of Rianta Capital, the investment advisory structure/family office representing Tom Singh and his family trusts. Singh is one of Britain's leading retail entrepreneurs, a founder member of the U.K. Social Investment Task Force and an active philanthropist.

Audrey Selian, today the Director of Rianta Philanthropy, recalls the motivations of the team designing the structure of the organisation at inception; they were "... keen to put in place an initiative to fulfil the family's social investment objectives in a way that would support sustainable, enterprising social interventions in India, rather than employing one-off grants and charity". As a result, a short time later, the Artha Initiative and the Artha Platform came into being. Selian's professional background was in retail sector management consulting, before she switched gears and embarked on a doctorate in technology policy and development studies, followed by spells at the U.N. and with a sub-contractor for USAID. She joined Rianta in 2006 to help fulfil the family's ambitions for a fresh approach to supporting communities in India through sustainable enterprise. In the first four years, Selian spent a great deal of time in India, understanding the complexities of the country's social investment landscape, identifying the "key movers and shakers who might be the right enablers and recipients of our kind of philanthropically-motivated investment capital", she says. The Artha Initiative aimed to deploy its capital in as impactful a way as possible, using the philanthropic toolkit of grants, patient capital, equity investment, limited

only by the regulatory complexities of India, where, says Selian, "... there are some quite stringent parameters about what one can and can't do as external capital".

By the end of 2007, Selian and her team in India had started to identify potential enterprises for investment. It also became apparent that there was a growing number of like-minded social / impact investors that began to interact more and more frequently at the same conferences and industry events. "It became quickly apparent," says Selian, "that we were looking at the same deal pipeline, that we were doing the same small appraisals repeatedly and that there were inherent inefficiencies in the process of trying to disburse this kind of capital." The Artha Initiative came to realise that the transaction costs for investing in socially-focused small and medium sized enterprises (SMEs) were high and efficiencies were low, simply because multiple investors were evaluating the same small enterprises at substantial cost. "You would regularly see groups of investors spending more on due diligence than what the enterprise required in investment, just to get an entrepreneur up and running," says Selian. "And so from this unique dynamic, we came up with the idea of a platform dedicated solely to the impact investment process; we called it Artha." Artha is a Sanskrit word that embodies one of the principle teachings of Hinduism – the noble pursuit of prosperity guided by Vedic moral values.

Selian says the Rianta team wanted "a tool that would simply allow us to better signal to each other as a



www.arthaplatform.com



network of donors, funders, investors when we were interested in a potential investment, when we were initiating diligence and with whom, and that others could come in with us. This was the best way to avoid leaving it to the serendipity of bumping into each other a year later at some conference only to realise that we've all done the same work on the same small deal three times over".

The Artha Platform is an online community dedicated to building relationships between the impact investor community, social entrepreneurs, and in-country capacity building intermediaries with a focus on India. In more commercial terms, it is an investor-facing portal designed to facilitate knowledge sharing around the process of investment into (specifically) Indian enterprises operating at the base of the pyramid. It also aims to disseminate sector information, in the form of reports, publications, news and case studies of global social businesses that illustrate best practice involving mutual wins for investors and beneficiary communities.

The beta version of the Artha Platform was initially developed and released in

2010. “We tested the platform and learned a lot from our first iteration,” says Selian. “This brought us back to the drawing board, and we rebuilt and redeployed it in the early part of 2012. And we’re still learning from user feedback.”

The Artha Platform (www.arthaplatform.com) is a password-protected web portal to which full access is granted by invitation only. Authorised users include:

- (1) Qualified professional impact investors and other funders including family offices, funds, foundations, and venture philanthropists with overlapping mandates.
- (2) Entrepreneur support organisations or accelerator organisations that work as incubators.
- (3) Third parties (in-country firms and independent consultants) capable of providing due diligence, capacity building, and business development services.
- (4) Social entrepreneurs and promoters who have been pre-vetted after making an initial application online.

The briefing note for potential users of the Artha Platform describes its benefits as including:

- Solidification and formalisation of one’s contact base and expansion of one’s networks.
- Identification of new partners and co-investors for due diligence purposes.
- Learning who knows who, how social businesses and enterprises are being supported in India, and their current operating story.
- Coordination with others looking at the same opportunities, and

minimisation of the redundancy, effort and cost of conducting due diligence on enterprises serving the bottom-of-the-pyramid sector.

- Support of businesses that serve as in-country capacity builders and due diligence providers, as the fundamental drivers of the sustainability of an emerging asset class.

The Artha Platform is quite deliberate in including third party service providers amongst its users. “In other information platforms,” says Selian, “local service providers are often excluded. We believe however that these are the best people to help provide due diligence or ancillary support services such as capacity building, technical assistance, legal support and so on.” Such an approach avoids wasting money by employing the usual external international consultants, who often do not fully grasp local contexts, and it significantly builds local capacity in this area of intermediation. Local social entrepreneur support organisations and accelerators also play an important validation role in the system – with the ability to invite entrepreneurs that they have been cultivating onto the platform, which provides a degree of pre-screening, thereby giving investors some confidence about their likely quality.

At the time of writing, the platform has nearly 50 registered investors (of which more than 40 are Europe-based funds), 20 local service providers and about 30 entrepreneur support organisation. There are 43 live deals on the system at various stages of exploration, due diligence or investment. The confidentiality of the platform means that user names are not made public, but include several of the organisations profiled elsewhere in this study. One refinement to the user base currently being developed is to introduce what Selian calls a “super user”, an investor or broker representing multiple investors, which will aggregate the number of potential funders screening for suitable investments. This will provide a channel for ‘light touch’ social investors to engage in India, where they may have little on-the-ground presence but the confidence to make a co-investment because of the quality and transparency of the platform process. Deals on Artha generally require investment in the range of \$40,000 - \$600,000.

The platform is designed to be as user friendly as, for example, using a site like Facebook – where the user is presented with their dashboard showing active connections and deals in process. There are clear rules and protocols dependent on the user’s



status; for example, investors can add entrepreneurs but not vice versa. From their personal dashboard, an investor can connect with like-minded investors and can see a top level view of the enterprise pipeline, signalling interest in a particular deal if they wish. More detailed business plans and any uploads provided by the entrepreneur can then be viewed online after an optional, as determined by the entrepreneur, non-disclosure agreement is accepted. Beyond signalling an interest, the system allows an investor to lead on a deal by initiating a due diligence process, either in-house or outsourced to one of the third party service provider users through an automated mini-tendering process. There is no fee to join the Artha Platform. An investor can, at any point, retract the steps taken by signalling and proceeding with due diligence without negative consequence, with the possible exception of any offline contracts concluded with third party consultants.

There are similar initiatives in India to bring greater efficiency to the growing impact investing space and Artha Platform is happy to collaborate where there are synergies. One such collaboration is with Ennovent, the social venture capital fund linked to an Austrian family office, whose knowledge-sharing portal and Impact Circle are complementary to the Artha Platform. There may also be some potential synergies with the likes of the Asia Impact Investment Exchange and with the Asia Venture Philanthropy Network (AVPN), of which Rianta Philanthropy is a member. A new entity called Artha Networks, Inc. (ANI) has recently been formed to explore ways in which the efforts put into the Artha Platform for India may be made available to other impact investors in other parts of the world, through the licensing of its core technology and the methodology inherent therein.

The platform in its latest version has been operational for less than a year, so Audrey is realistic about assessing its success: "We're learning a lot. We're incorporating significant amounts of user feedback into the system. When we have four or five transactions completed, we'll know how effective this system really is. The whole idea is, you share the transaction costs and you share the investment because it makes economic sense for all involved, and above all because once the deal is capitalised, it will be generating important social and financial benefits for all involved. And we're thus able to deploy more and faster because we're holding hands."

Impact Investment Exchange Asia

The Singapore-based Impact Investment Exchange Asia (IIX) was founded by Durreen Shahnaz, an investment-banker-turned-social-entrepreneur from Bangladesh. Ten years ago in New York, Shahnaz had started oneNest, a for-profit social enterprise selling fair trade products, mainly handicrafts from developing markets. During the company's expansion, she found finance options were limited - she had to choose between the traditional, bifurcated routes of either venture capital or a grant as a non-profit entity. After opting for the commercial route, a mismatch eventually surfaced when she found the venture capitalist was focused exclusively on financial returns. For Shahnaz, ensuring social benefits for her vendors was non-negotiable. The experience shaped her realisation that social entrepreneurs needed to be matched with mission-aligned social investors. It was instrumental in inspiring her to start IIX.

IIX was set up to provide social enterprises in Asia with greater access to expansion capital to maximise the impact of their activities. Shahnaz strongly believes in the ability of capital markets to create social good for the world. Her belief is infectious and she succeeds in getting many talented people on board. Today her team consists of professionals that have left well-established careers in the corporate sector to work in social finance. She also played a pivotal role in influencing her husband, Robert Kraybill, to leave his career in investment banking and private equity to join her in IIX as managing director. Kraybill says, "I

wanted to move into the social finance sector because it holds the promise of channelling capital to uses that are truly socially beneficial, thereby proactively making society a better place."

IIX facilitates capital flow by first working to bridge the information gap between social entrepreneurs and potential investors. Social entrepreneurs may not have raised capital before and often are not well versed in capital raising methods. Investors, on the other hand, may have difficulty finding the right social enterprises to invest in. In this information asymmetry void, IIX steps in to ensure that there will be a transparent exchange of information and help both parties to address their expectations in terms of social performance and returns.

Through its database of international investors, IIX works to match social enterprises from across Asia with mission-aligned investors. The matching is primarily conducted through Impact Partners, a private online platform launched in March 2011 that connects accredited investors to pre-screened social enterprises.

Social enterprises that come through IIX's pipeline are pre-screened before becoming eligible for listing. Pre-screening takes from a few weeks to a few months depending on the size of funding sought. In the screening process, social enterprises may be dropped due to reasons such as poor business plans, unrealistic goals and expectations, or a weak social mission. Successful social enterprises listed



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through Impact Partners will have key disclosure and other information relating to their business models, growth strategy and expenditures so allowing investors to make informed decisions. In addition, through Impact Investment Shujog, a non-profit research affiliate of IIX, social enterprises receive assistance in setting up frameworks for impact assessment enabling them to report on the social impact of their operations. Such information naturally helps them become more attractive to social investors due to increased clarity about their social impact.

Impact Partners is at an early stage of development. Having built a pipeline of social enterprises and a sizeable investor base, it is now focusing on closing deals. For example, in September 2012, it successfully facilitated seed capital funding for BagoSphere, a vocational training social enterprise that provides affordable and effective training programs catering to rural, low-income youths between the ages of 18 and 35 living near and at the base of the pyramid in the Philippines. The social

enterprise offers training for call centre jobs, focused mainly on youths residing in second tier cities in the Philippines who face dimmer employment prospects than their counterparts in the capital. BagoSphere ran a pilot program in 2011 and the result was encouraging: 90 percent of its graduates were offered employment at a call centre; 64 percent were still in employment a year later, and 14 percent have received promotions. Through stable skilled employment, graduates were able to earn a salary four times higher than that of unskilled work.

BagoSphere first came into the radar of IIX in May 2012 when it was an award winner of Start-up@Singapore's Social Enterprise Competition, a business plan competition project ran by the National University of Singapore (NUS) Entrepreneurship Society. En Lee, Head of the Investor Team at IIX and one of the competition judges was impressed with the business sustainability of BagoSphere and decided to evaluate them further for IIX. IIX went on to facilitate a consortium of four social investors to invest in BagoSphere, and also linked them with one of its ecosystem partners who provided pro bono legal support for the capital raising transaction.

The story of BagoSphere exemplifies the complementary nature of philanthropic grants and impact investment. The social enterprise was first incubated by Grameen Creative Labs at NUS. It then received an Innovation & Entrepreneurship Practicum Grant from the university to fund the pilot project. Subsequently, it won other grants that helped it to scale up. These grants were instrumental in building up the social enterprise to eventually make it attractive for investment by impact investors.

Advancing its mission to connect social capital with social enterprises, IIX is already working on the next phase of its development. It is in the final stages of developing Impact Exchange, a platform to link social enterprises with a wider range of investors, including retail investors who want to make impact investments. Like a traditional stock exchange, Impact Exchange will provide liquidity to investors by supporting listing, trading, clearing and settlement of securities issued by social enterprises. The platform will allow investors to purchase and trade shares issued by for-profit Social Enterprises and bonds issued by either for-profit or not-for-profit Social Enterprises.

LGT Venture Philanthropy's Smiling World Accelerator Program

LGT Venture Philanthropy (LGT VP) was incorporated in Zurich, Switzerland, in 2007 by the Princely Family of Liechtenstein. H.S.H. Prince Max von und zu Liechtenstein, CEO of LGT Group since 2006, wanted to continue within the LGT Group, the long family tradition of active philanthropic engagement. The LGT banking and investment group traces its history to 1930 when the Princely House acquired a majority shareholding in the Bank of Liechtenstein, and has a 25-year operating history in Asia. LGT's website site quotes Prince Max's underlying motivation for creating a venture philanthropy fund: "Everybody should be able to live in dignified circumstances and have a fair chance for development. The wealthier part of mankind has an economic, political and moral responsibility to support the less advantaged. Particularly in developing countries the extent of poverty is distressing and the need for help is immense." The relationship between the banking and philanthropic arms of LGT is synergistic. The bank's relationship managers can offer their clients the advisory services of LGT VP, while the intellectual and financial resources of the bank have played a key role in the launch and development of LGT VP.

Wolfgang Hafenmayer is LGT VP's founding managing partner with a background that straddles management

consulting, impact investing and social entrepreneurship. He oversees operations across four continents, where the fund concentrates on selecting and supporting social businesses which have a strong management capacity, an effective idea, efficient means of putting it into practice and the scalability to maximise their social impact over a period of from five to 10 years. LGT VP's modus operandi is well thought out and thorough - a prudent due diligence process; a high level of engagement, which involves not just the provision of financial capital, but business know-how and access to networks as well; financial support tailored (grants, loan or equity) to the income generation capability of the grantee/investee; and clear social impact analysis with agreed-on key performance indicators.

But despite the resources available, extensive networks and the groundswell of social enterprise in Asia, quality deal flow was a challenge for LGT VP. Hafenmayer felt the rhetoric was not reality on the ground: "We looked at hundreds of organisations over the last four years, but there were just not enough social enterprises meeting our investment criteria." After scanning 300 prospects, just three investments were made. It was time for a new approach. Hafenmayer and his team launched the Smiling World Accelerator Program



www.lgtvp.com



(SWAP) in 2012, which aims to help develop the pipeline of investable social enterprises by intensively supporting early stage ventures through business consulting and finance. LGT VP's local partnerships are key to this initiative, to develop jointly the market for social enterprises in Southeast Asia – ChangeFusion (Thailand), GEPI (Indonesia), CSIP (Vietnam) and X Change (Philippines). Hafenmayer is keen that the accelerator not only develops social enterprises but is an opportunity for the local partners to develop their own internal capabilities. "We have worked with these local incubators over the years," he notes. "But they are not always strong enough in terms of business know-how and skills. We help address this by assigning our Smiling World Impact Professionals (SWIP) Fellows to work alongside these partners." These individuals are experienced business people who work at a senior level to build organisational capacity, systems, processes and additional management structures over an 11-month fellowship period. Other shorter-term consultants and mentors

LGT Venture Philanthropy's Smiling World Accelerator Program

are additional, valuable resources. The four Fellows currently assigned to work with SWAP in Asia have all had significant, senior experience in the private sector and are prepared to take a year out to effectively volunteer their skills. David Le is a finance specialist, formerly with the Boston Consulting Group; Hanna Ebeling is a CFA charter holder with six years' experience working with HSBC; Salman Shah has a background in alternative investments and worked as a Director at UBS; and Steven Lee, a CFO with an MBA and a marketing and communications background. The Fellows are trained in preparation for their assignments and receive mentoring during their year, to ensure their considerable skills and experience are being adapted and channelled for the needs of small but ambitious social enterprises.

Hafenmayer identifies a third key objective of SWAP to "build the investor pipeline, because we have found a lack of committed local investors who know about the potential of innovative philanthropy". A series of Angel Investor Nights helps introduce selected social enterprises to potential investors and nurtures a sustainable local funding environment. Hafenmayer believes this "creates an ecosystem that helps social enterprises grow in the region".

In each of the four target countries, SWAP makes a financial commitment of \$600,000 over three years, around 70 percent of the sum going to directly support three to five selected social enterprises, and the remainder towards intellectual capital and market building.

Over the three-year lifetime of the accelerator, Hafenmayer expects the initiative to have actively and

intensively nurtured 50 early stage social enterprises from a screened pool of up to 400 applicant organisations.

Ecolink, a for-profit social enterprise in Vietnam is a typical SWAP candidate for acceleration. Founded by entrepreneur, Than Dy Ngu, the start-up promotes and trades Vietnamese organic food produce domestically and abroad through a network of 800 ethnic minority farmers in remote regions of Vietnam. Currently operating one store in Hanoi, Than has plans to expand to 20 stores nationally. LGT VP will provide \$35,000 in loans to Ecolink for enhanced farmer training, developing international markets and to open a second Ecomart store.

In Indonesia, Bali Recycling is a for-profit enterprise specialising in waste management, working with sanitation agents to provide specialised services to help local businesses and hotels to better manage their waste. Since 2010, they have recovered over 1400 cubic meters (225,000 kg, approx. 275 garbage trucks) of waste and diverted it from polluting the environment. SWAP will provide a loan of \$76,000 for the purchase of new equipment and vehicles to expand Bali Recycling's waste collection and processing capacity, and to hire a sales manager to increase the number of clients.

Hafenmayer is convinced from LGT VP's experience in four continents that incubator intermediaries work most effectively when they have a financial stake in the ventures they support, suggesting that young enterprises "have to see that you're serious in the long term, that you're not concerned with short-term incubation with them, but if the incubation works, you will continue to invest in them". He is keen to explore localised managed

expansion funds, capitalised by LGT VP and local investors, to ensure that promising early stage enterprise have the second round funding for growth and development.

Currently, the SWAP team works with seven early-stage organisations in South East Asia, with plans to expand to expand to Singapore, China, Brazil, Mexico, Ghana and South Africa by 2013. LGT VP is also considering a new fund around the accelerator programme, which would allow angel investors to place capital into a diversified portfolio of early-stage social ventures from around the world, covering a broad range of industries and regions.

A private, philanthropic initiative such as LGT VP has the long-term outlook, flexibility and resources to shift from being only a direct impact investor to also a field builder, in particular raising the capacity of local intermediaries. If the Smiling World Accelerator Program is successful it will not only provide enhanced deal flow for LGT VP but will nurture a more effective ecosystem that has much wider benefit.

The Centre for Social Initiatives Promotion

A veteran of development work, Oanh Pham has worked in a government research institution and international organisations including the United Nations Development Programme (UNDP) and United Nations Children's Fund (UNICEF). Before setting up the Centre for Social Initiatives Promotion (CSIP), she was a senior child protection specialist at UNICEF Vietnam. She met Declan Ryan and Deirdre Mortell, founders of The One Foundation, Ireland, which was supporting a human trafficking project being led by her. Ryan is a well-known business entrepreneur, whose late father founded the eponymous low cost airline.

Pham was inspired by the work that One Foundation did in Ireland and Vietnam to create long term, sustainable social change in the organisations they support. She says, "I was looking out for innovative ways to implement social projects more sustainably and effectively." After many discussions with Declan on what they could do together for the community in Vietnam, CSIP was established with financial support from One Foundation to promote and build social entrepreneurship in Vietnam.

From its initial onset, Pham recalls, "We faced many difficulties as people just did not know what a social enterprise was, making fundraising challenging. In addition, people who were willing to invest in social enterprises would rather invest directly in the enterprises than to go through intermediary like CSIP." CSIP had to demonstrate the added value it brought and promote itself extensively

to build up its reputation in order to attract social enterprises to collaborate with them.

CSIP was set up in 2008 to help build a fair, prosperous and sustainable society. Pham says, "Our mission is to provide direct support to social enterprises and create a pipeline of them to prove that such a hybrid model can work effectively in Vietnam. We want to bring about positive contributions to the country's development. And, we want to raise awareness among the public and policymakers that young social entrepreneurs can be the innovators who can address social issues."

CSIP has annual incubation and acceleration programmes that aim to identify and provide financial and technical support to social enterprises. In the first stage, the Centre assists 10 to 15 social enterprises with training and consultation in order to help develop their business plan. Moving on to the second stage, five to seven social enterprises that have successfully defended their business development plans continue to receive financial and in-depth technical support for another 12 months. CSIP can provide each enterprise with a grant amount between \$10,000 and \$30,000 to help with organisational and business development. Equity or debt financing are not used at the moment as CSIP's registration as a non-governmental organisation prevents this under Vietnamese law.

Technical support comes in the form of business consulting, capacity



www.doanhnhanhaxahoi.org



building, networking and promotion. The social enterprises receive advice from organisational development and finance consultants to help them solve operational problems and fine-tune their models. Tailored capacity building workshops and training sessions are also offered to the social entrepreneurs.

To promote transparency, CSIP makes public its application process. "We want to be very open, accountable and transparent in the selection", says Pham. Selection criteria are available on its website. CSIP advertises as well as invites selected social entrepreneurs to submit their applications.

CSIP's entire application process is formalised to instil accountability and gives confidence to the applicants, who are not used to such transparency. Between 2009 and 2011, 29 social projects were supported, and CSIP's success has not gone unnoticed. In 2012, LGT Venture Philanthropy made CSIP its implementation partner in Vietnam for its accelerator initiative [See the profile: Smiling World Accelerator Programme] to provide hands-on business consulting



and customised financial support of up to \$50,000 to outstanding, early-stage social ventures with a high potential for scaling up and positive impact.

Among the social enterprises that CSIP currently support is Tohe social enterprise, which was incubated from concept level in 2009. CSIP made an initial grant of \$7,000 to the organisation and helped develop its business plan. Tohe aims to help poor and disadvantaged children in a sustainable way. Its main objectives are to:

- Introduce to the market new eco-friendly product lines which harness children's creativity.
- Create opportunities for children, especially disadvantaged and disabled children to access creativity and outdoors activities.
- Support young disabled children for job training and income generation activities.

- Build consumer awareness on fair trade and environmental conservative products.
- Create volunteer opportunities for young students.

Tohe markets products such as Eco-bags, T-shirts, notebook covers, cushion covers and purses with designs made by young people. Half of its profits go to copyright fees for the designs used, funds for activities in the area of childcare and protection as well as financial support for disadvantaged children and children in difficulties.

With CSIP's support, Tohe has developed from an innovative idea to a viable social enterprise that is currently a finalist for accelerator stage funding and support.

CSIP is the first organisation to develop an ecosystem for social enterprises in Vietnam. Since CSIP's pioneering efforts, others have followed including Spark Centre for Social Entrepreneurship

Development in Vietnam (Spark Centre). The Spark Centre was established to help rural businesses, local governments and non-profit organisations build capacity and scale up their own solutions and innovations. It is co-founded by Netherlands Development Organization, Vietnam Centre for Community Support Development Studies, Pact in Vietnam and the Centre for Sustainable Rural Development.

consulting and advice, Ding Li suggests “about a half make good progress, and around 20 percent take off really well – these high-flyers have diversified their funding streams, are able to employ four or five staff and have budgets running into millions of RMB”. She finds another 20 percent or so to be flat line for several years and can’t seem to grow beyond the founding entrepreneur. Ding Li views NPI as very much an accelerator, helping lower the barriers that prevent start-up charities thriving in their first year or two. NPI’s support for individual entrepreneurs, gives them the confidence to leave secure employment in the private sector, and take their socially-minded ideas forward full-time.

Having to spend up to RMB 150,000 (\$24,000) on each incubated organisation is putting NPI’s business model under considerable pressure. Grant-making foundations and companies that subsidised NPI’s incubation work over the last four or five years are looking for new innovations to fund, despite NPI’s success and the still rapidly growing number of initiatives looking for incubation. “Most funders have a short attention span”, says Ding Li, “they are always looking for the new, sexy stuff. We can’t charge fees for our services, so we rely a lot on government subsidy.” This is not surprising as even incubators for commercial start-ups are heavily subsidised by the Chinese state. Growing NPI organically to meet the continued need, is not sustainable so Ding Li feels that they will need to investigate alternative business models: “Rather than open new incubators, we can provide consulting and quality assurance to the non-profit incubators that the Ministry of Civil Affairs encouraged local government agencies to open throughout the country.” Such a strategy would certainly leverage NPI’s experience, while at the same time they would still directly assist a handful of flagship incubators. NPI now

has the capacity to support 30 fledgling enterprises each year.

NPI was the first organisation in China to use the term ‘venture philanthropy’, viewing the model as a natural progression of its pioneering incubation work. In a creative partnership with computer giant, NPI established the Lenovo Venture Philanthropy Program in 2008. Lenovo Greater China, the company that bought IBM’s personal computer business, was evaluating options for its social responsibility programme. With an interesting note of irony, one of the consultancies it employed to develop CSR strategy was Corporate Citizenship in Action, an organisation that had been incubated by NPI. Zhao Lv convinced Lenovo that the beauty of the venture philanthropy model would be to foster sustainable non-profits by investing in their capacity to become resilient, rather than dispense one-off donations, which would pay for an activity but may have no lasting impact. Over two years, Lenovo provided RMB 30 million (\$800,000) and as much volunteer time as possible, to support 30 small to medium-sized non-profits. Non-financial support would be given by NPI or Lenovo staff, or could be outsourced to professional consulting firms paid for through the fund. With the Lenovo partnership having come to an end, NPI is exploring other corporate partnerships within the venture philanthropy model. A number of local governments in China have established their own venture philanthropy funds, although in practice they are more like simple grant schemes for local non-profits, encouraging innovation in community service, but do not seem to operate a true venture philanthropy model. Ding Li views such initiatives as good efforts at bringing more resources into the third sector space and all part of educating donors, including the government, of the true needs of aspiring non-profit organisations.

Not surprisingly, for an entrepreneurial initiative such as NPI operating in a rapidly evolving environment, it has developed many activities and programmes outside of its core incubation and venture philanthropy: Its Community Service Platform strengthens community development and mobilises local resources. NPI’s consulting arm, CSR Consulting, sells services to companies exploring CSR and volunteering, sometimes through partnerships with global CSR consulting agencies. The NGO Capacity Building Programme provides training and consulting services to third sector organisations, including the use of management tools such as Balanced Scorecard to drive strategic planning and assessment.

In 2010, NPI established the Shanghai Social Innovation Park (the Nest) in partnership with local government and civil society groups. The Nest allows social ventures to showcase their projects and learn from another. In 2009, NPI founded the Shanghai United Foundation, a public fundraising initiative in partnership with the Shanghai Civil Affairs Bureau. The foundation is a fundraising platform particularly for grass root non-profits, a sector for which public fundraising is acutely challenging.

Non-Profit Incubator is clearly an initiative that arrived at the right time for a sector thirsty for financial and advisory support. NPI has built on its early experiences of incubation to become a group of initiatives that promote and actively support social innovation at exactly a time when China is developing its own sense of identity for the third sector. While NPI continues to diversify its own income streams, Ding Li speaks warmly of foresight shown by Narada Foundation when it provided strategic funding for NPI during its own start up, a partnership that continues to this day.

Change Fusion

“The story of Change Fusion and our future will simply always be about attracting, cultivating and partnering those with compassionate aspirations to create a better future,” writes Sunit Shrestha on the website of Change Fusion, the organisation he founded right out of college. Change Fusion offers social enterprises an ecosystem of funding, incubation support and co-working space and is often cited by Thai insiders in the same breath as social entrepreneurship. Its prominence in the sector has certainly come a long way from its roots as a university student project.

Shrestha recalls that “traditionally in Thailand, university students go to the rural area to do development projects in their 3rd or 4th year of studies. I was involved in a sustainable agriculture development project that sparked my interest in the development sector”. Shrestha went on to form Thai RuralNet which would become Change Fusion with a group of fellow schoolmates from Thammasat University.

In the initial years, Change Fusion was set up with the goal to allow young people to give back to society. It later restructured to become an intermediary to support investors as well as social entrepreneurs. Shrestha says, “Our mission is to promote and create social innovations that are scalable and high in impact. We are more like a social innovation agency that tries to find creative solutions to social issues through harnessing technology, social enterprises and social finance.”

In its role as a promoter, Change Fusion is heavily involved in advocacy work. It engages with the public to raise

awareness of social entrepreneurship. Recognising that the lack of policy for social enterprises is restricting investment in the sector, it works with the government to redress this, and was a driving force for the establishment of the Social Enterprise Committee in 2009. The committee was chaired by Thai Prime Minister and aimed to stipulate strategic planning, social enterprise master plan as well as the annual budget of the related governmental parties.

During the initial setup period, the committee partnered with the British Council, the U.K.-based non-profit agency promoting exchange of know-how between Britain and other countries. Teams were sent to the U.K. to learn the British experience of promoting social entrepreneurship. Adopting some of the practices of the U.K.'s system, the Thai committee supported the establishment of a secretariat in the form of the Thailand Social Enterprise Office (TSEO) in 2010 to execute the strategy and master plan. Change Fusion was part of the core team to develop the Social Enterprise Master Plan that was officially launched in 2011 under the Rule of the Prime Minister. The master plan covered three strategic areas: 1) social enterprise awareness creation and promotion in Thailand 2) social enterprise incubation and capacity development and 3) fund mobilization and access to investment. After TSEO and the master plan were in place, Change Fusion pulled out of the official committee to concentrate on its role as an implementation agency.

Change Fusion restructured its organisation to engage different groups of social entrepreneurs and investors more



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ChangeFusion

effectively. It divides social enterprises into different development stages and puts in place specific support mechanisms appropriate for each of the stages.

Drawing from the U.K. experience, it has created a separate programme, UnLtd Thailand to support newly-established social entrepreneurs with finance, capacity building and network linkage. UnLtd, the Foundation for Social Entrepreneurs was established by a consortium of support organisations with an endowment from the Millennium Commission. Today, UnLtd is one of the leading organisations supporting social entrepreneurs in the U.K. It has also inspired a similar organisation in India. Entrepreneurs are selected from an open application process and offered three stages of support by UnLtd Thailand. In the first stage, the successful entrepreneur is provided with seed funding of up to THB 50,000 (\$1,500) to develop their pilot project to proof of concept. Entrepreneurs who move on to the second stage are provided funding of up to THB 200,000 (\$6,300) in the form of an income-linked loan where interest is based on the income generated to move their social enterprises towards greater impact and sustainability. The last stage offers funding support of up to THB 500,000 (\$15,800) to accelerate the scaling up and impact of the social enterprise.

Through its Change Ventures Unit, Change Fusion mobilises social

investment and other resources for social entrepreneurs. The unit works like a low return impact investment fund, holding equities of successful social enterprises that have advanced through its earlier pipeline. It identifies social investors, including HNWI, and sets out to achieve capital preservation and return of 3 – 5 percent per year for their investment.

Besides facilitating social investment, Change Fusion also brokers access to the market and provides consultancy services with specific focus on building capacity for growth and investment readiness. It helps regional and international investors to access social enterprises in Thailand. Successful examples include its partnership with LGT Venture Philanthropy to assist them in placing \$50,000 each in three social enterprises [See the profile: Smiling World Accelerator Program]. Shrestha explains, “In reality, it is like a private placement even though the project is set up as an open call competition for funding. Due to the lack of social enterprises at that level, Change Fusion works with social enterprises to help them meet the requirements of LGT Venture Philanthropy in order for the investments to be successfully placed.”

As an eco-system builder, Change Fusion is also advising corporations and HNWI on how to structure and set up venture philanthropy and impact investment funds that are tailored to their particular needs and interests. It has successfully set up a fund called BANPU Champions for Change with BANPU Public Company, an energy mining company, to provide seed funding and support for young social entrepreneurs in Thailand.

To date, Change Fusion has supported some 30 social enterprises. Their creative and innovative way in growing the sector is well illustrated by the support provided to Open Dream, a social



enterprise providing web-application development services and web-based software to non-profit and voluntary groups. It was started by a group of young programmers holding full-time jobs in the corporate sector. They were working on the project on a part-time basis. The offer of contract-based funding from Change Fusion gave them the confidence to quit their jobs and devote themselves full-time into the venture.

Through Change Fusion, they were linked up with foundations that had outstanding programming projects. In order to persuade the foundations to engage Open Dream for the work, Change Fusion signed contracts with the foundations separately. The contracts effectively bound Change Fusion to the completion of the programming projects. In a way, it acted like a guarantor as it took on the responsibility of finding alternative vendors to complete the projects should Open Dream be unable to fulfil its commitments. Through this Project Finance model, Open Dream was able to build up its portfolio and credentials. Since it started in 2009, it has been financially sustainable. It has grown rapidly and now boosts an annual revenue of about half a million dollars.

Change Fusion's work does not stop in Thailand. It extends its outreach overseas through various initiatives such as the establishment of Change Fusion Nepal

and Change Fusion Europe. Noting the importance of a physical presence for connectivity, Change Fusion Nepal was formed in Nepal in 2008 to better reach out to Nepali social enterprises. The founding director, Luna Shrestha Thakur spent a month of training at Change Fusion's Bangkok headquarters and received support and guidance in the initial set-up years. Change Fusion Nepal became an independent functioning organisation in 2010.

Through Change Fusion, Sunit hopes to attract and build relationships that brings the right players together in such a way that, together, they create social innovations that will contribute to positive social transformation. He believes the sector will expand faster only if there is a risk-taking culture. He explains that “philanthropists are not taking enough risks. If there is a way for people to share risks, the sector will develop faster.” The ultimate goal of Change Fusion is to grow the social entrepreneurship sector in Thailand as well as the region to advance sustainable human well-being for the future. To achieve this, Change Fusion seeks to be a bridge between social entrepreneurs and investors and as Sunit aptly put it “we are but the floating bridge of dreams”.

Thailand Social Enterprise Office

In 2009, the Thai government and a number of civil society organisations (including Change Fusion – see their profile above) formed the National Social Enterprise Committee to increase awareness of the sector and improve access to finance. The government wanted to foster economic growth that was distributive and sustainable, believing that a strong social enterprise sector could be an effective means to reduce social inequality.

The Thai government published the Social Enterprises Master Plan (2010–14), which was endorsed by the cabinet and led to Thailand Social Enterprise Office (TSEO) being established as a secretariat to implement the plan. Supportive regulations are also being planned to foster the social enterprise sector.

TSEO is tasked to facilitate the growth of social enterprises and intermediaries in Thailand through the creation of a supportive enabling environment as well as to forge international partnerships in the social enterprise sector. The four core strategic areas for TSEO are to develop:

1. A learning environment on social enterprises in Thailand.
2. A new form and capacity of social enterprises.
3. A path to capital and resources for social enterprises.
4. The Social Enterprise Act, law and regulation.

Since its founding, TSEO has engaged heavily in advocacy as well as capacity and awareness building. It has collaborated with universities from rural provinces to set up social enterprise incubation centres as well as formulate training courses to educate students on social entrepreneurship. The programme has a focus on rural employment creation to help reduce social inequality and alleviate rural-urban migration pressures. To increase public awareness of social enterprises, TSEO holds roadshows in schools and connects enterprises to corporates and foundations at 'matchmaking' events. Catalogues of social enterprises are sent to government agencies to encourage them to engage goods and services from them. TSEO is focused on building networks for both the social enterprises as well as the supporters both locally and internationally.

On the financial front, TSEO provides grants to social enterprises directly and indirectly. TSEO prefers to work with intermediaries to develop the sector's ecosystem rather than to deal with social enterprises directly.

In order to support and incubate new Thai social entrepreneurs, TSEO and Change Fusion jointly initiated UnLtd Thailand, which provides seed funding and incubation for new social entrepreneurs. Since the sector is still in the early development stage, there are not enough intermediaries to work with, and so TSEO can provide support to the social enterprises directly.



www.tseo.or.th



To further enlarge its outreach this year, TSEO initiated a public call for social enterprise ideas in five sectors - disability, agriculture, the environment, education and renewable energy. In 2012 it collected 500 business concepts and shortlisted 20 from each sector. Those shortlisted were provided with three days of training to enable them to develop their business plans further. Out of these, five ideas from each sector were chosen to receive four months of consultancy assistance as well as seed funding of THB 100,000 (\$3,200) to bring the ideas to the next stage.

TSEO is currently working to establish a social enterprise registration and assessment system to provide accreditation to the sector. A scrutiny committee will determine the criteria to distinguish social enterprises from normal business enterprises. The committee has already completed one round of consultations with practitioners and other external parties and is working to revise the set of criteria with the feedback obtained. TSEO envisions the registration system to help social enterprises in the marketing of their products to socially-conscious consumers

and to build awareness with the public on the new category of products.

Concurrently, TSEO researches on taxation policies that will be supportive for the sector. Besides exploring possible tax benefits for accredited social enterprises in the future, it is looking at social impact assessment tools that can meet social enterprises' strategic objectives and enable them to quantify their social impact. Such assessment will lead to greater accountability and facilitates social investing. TSEO hopes to create a robust Social Investment Market in Thailand that will blend financial return with social impact and enable social enterprises to gain greater access to capital they need to grow.

Through the various approaches, TSEO hopes to develop the social enterprise sector into an engine of inclusive and sustainable growth for Thailand.





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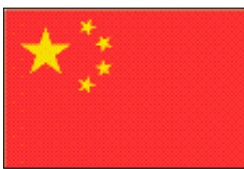
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Appendix 1

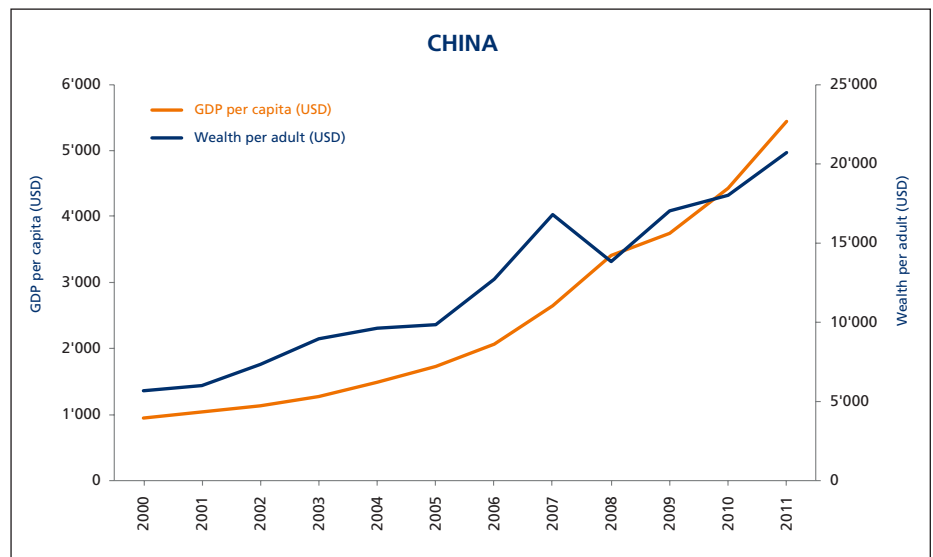
Selected Country Profiles

The country profiles in this section use commonly available public data. The philanthropy statistics are drawn from a recent CAF Giving Index and other sources, and should be read with the critical comments in mind that we made in Chapter 2. They are presented here for the convenience of the reader, rather than an endorsement of their reliability or value.

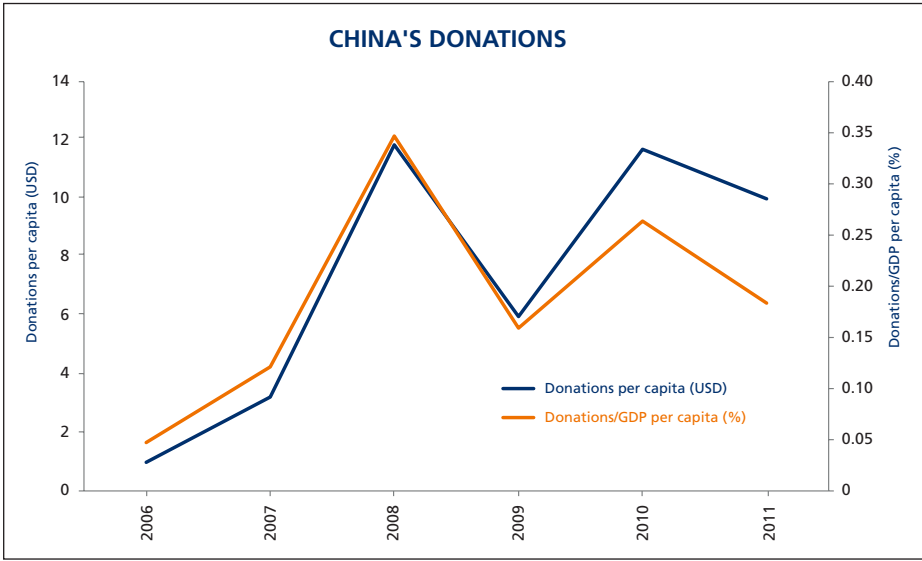
CHINA



Population	1,344 million
GDP	\$7,318 billion
GDP per Capita	\$5,445
Total Wealth	\$20,200 billion
Number of Millionaires	1,017,000
Ranking in CAF World Giving Index	140
CAF - % giving money	14
CAF - % volunteering time	4
CAF - % helping a stranger	41



China, the most populous country in the world, has experienced strong economic growth during recent decades. With an economy that has grown at an average rate of 17 percent in the past 10 years, GDP per capita has leapt by more than five-fold from \$949 in 2000 to \$5,448 in 2011. At the same time, wealth per adult has risen from \$5,672 to \$20,711. This strong economic growth has lifted more than 600 million Chinese out of poverty since 1981. However, over 100 million Chinese are still living below the poverty line.



Corresponding to the rise in wealth, public donations have also increased from \$1.28 billion in 2006 to \$13.43 billion in 2011. On a per capita basis, donations have jumped by over ten-fold from \$0.98 in 2006 to \$10 in 2011, although these figures are likely to be influenced by responses to singular events such as natural disasters. It is possible that donations would have reached higher levels had it not been for a number of highly publicised misappropriation scandals in the Chinese charitable sector that have diminished public confidence. Private foundations in China face substantial regulatory hurdles, and when established must pay corporation and capital gains taxes – hardly incentives for charitable giving through the foundation vehicle.

With more than one million U.S. Dollar millionaires and over 200 billionaires, philanthropy is set to rise in China if linked to growth in individual wealth. There has been a surge of interest in grant-making among the wealthy and the government has been taking initial steps to liberalise regulations in the charity sector. In 2004, regulation was passed that allowed the registration of private foundations. Before that, only public foundations were allowed with many being government organised non-government organisations (GONGOs). Since 2004, the growth of private foundations has surpassed that of public foundations.

One distinguishing characteristics of the philanthropy landscape in China is that many of the foundations are operating entities that act like NGOs, working on projects on their own. Grant-making foundations that support grassroots NGOs are starting to emerge, especially after the 2008 earthquake that sparked a steep increase in engagements and collaborations between the local foundations and NGOs.

In November 2012 there were a recorded 2,882 foundations, of which the 1591 private foundations outnumbered the 1291 public foundations. More than one third of the foundations have been established in the past five years alone.

Since 1999, the Shanghai-based Hurun Research Institute has published its annual Rich List, an annual ranking of the 1,000 richest individuals in China. For the last five years it has also released the China Philanthropy List, an attempt to measure giving by Chinese ultra HNWIs. In 2012, the Hurun list included annual philanthropic donations by individuals in the range of \$3 million to \$580 million.

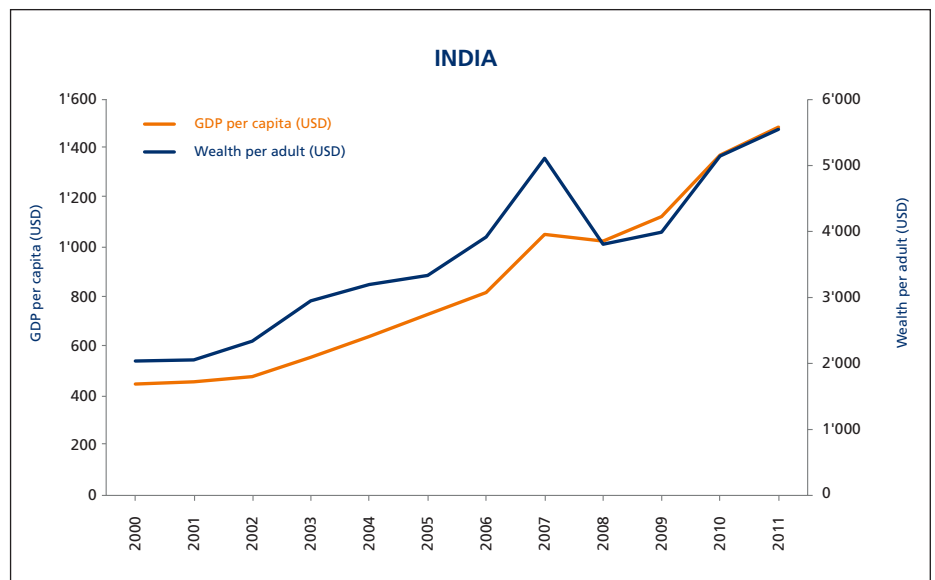
INDIA



Population	1,241 million
GDP	\$1,848 billion
GDP per Capita	\$1,489
Total Wealth	\$4,100 billion
Number of Millionaires	204,000
Ranking in CAF World Giving Index	91
CAF - % giving money	28
CAF - % volunteering time	18
CAF - % helping a stranger	39

India's economy has been growing at a rapid rate of about 13 percent over the past decade. GDP per capita rose more than four-fold from \$450 in 2000 to \$1,489 in 2011. Wealth per adult also increased more than 100 percent from \$2,036 in 2000 to \$5,548 in 2011. There are more than 200,000 U.S. Dollar millionaires, while 455 million Indians live on less than \$1.25/day. India is 30 years behind China when measuring the proportion of the population completing secondary and post-secondary education.

Tax deductibility for charitable donations is limited to those non-profits approved under Section 80G of the Income Tax Act, with the rate of deduction (from 100 percent to as low as 10 percent) dependent on the particular recipient organisation. However, it is believed that a large proportion of giving by individuals in India is informal and untracked through tax data. Verifiable data on giving in India is very scarce. The Indian domestic charitable fundraising market in 2004 was estimated to be \$500 million, excluding religious and untracked donations – being 80 percent from individuals and 20 percent from company giving. Registered foreign direct funding by trusts and individuals was over \$1 billion in 2006. The Diaspora of Non-Resident Indians (NRIs) is likely to account for a large proportion of inflows of private giving (there are 400,000 NRIs in the U.K. and 1.7 million in the U.S.).



JAPAN

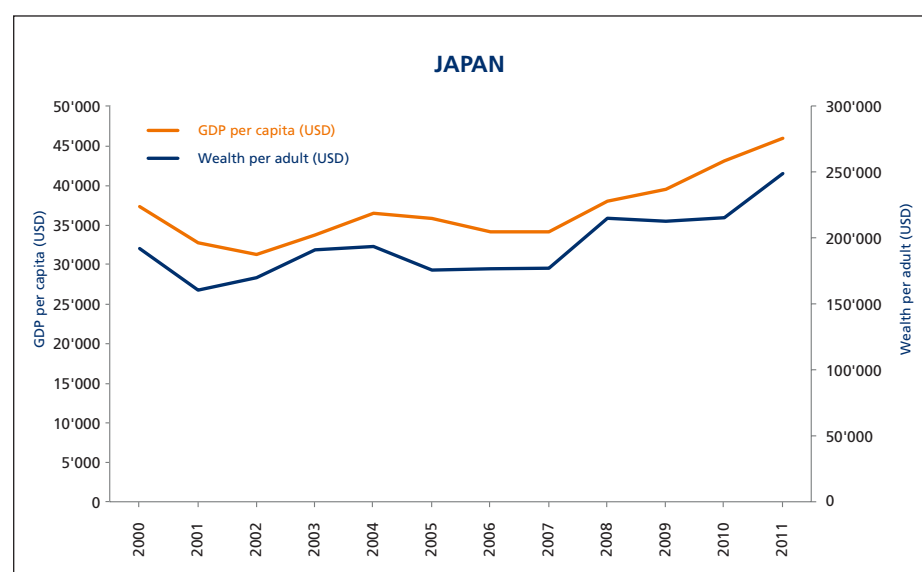


Population	128 million
GDP	\$5,867 billion
GDP per Capita	\$45,903
Total Wealth	\$25,900 billion
Number of Millionaires	3,121,000
Ranking in CAF World Giving Index	105
CAF - % giving money	24
CAF - % volunteering time	28
CAF - % helping a stranger	26

Japan's is the most developed economy in Asia, with the highest total wealth in the region at \$25.9 trillion. GDP per capita is at \$45,903. Economic growth has been growing slowly at about two percent over the last decade. On the giving side, only 24 percent of Japan's population donates money, one of the lowest percentages in Asia. Japan is ranked 105th in CAF World Giving Index. With the highest number of millionaires in Asia, there is potential to grow philanthropy given the current low take up rate. But, charitable giving in Japan, and indeed the whole civil society sector, is heavily influenced by culture and religion. Even the Japanese consider themselves a 'no donation' society. Charitable giving in Japan is usually confined to certain social relationships such as neighbours or employees and linked to notions of obligation. Confucianism discourages open displays of need and so much charitable work is done quietly and without recognition. Wealth is not applauded in Japan; so many rich individuals give anonymously.

In 2005, the 20 largest grant-making foundations in Japan spent some three percent of what the equivalent foundations in the U.S. did, even though Japan has 30 percent of the United States' economic wealth. Many Japanese give through volunteering their time – the Japan Red Cross has 21 million volunteers. The devastation of Japan's coastal cities and towns from the 2011 earthquake and tsunami resulted in large scale human misery, much of which was quietly addressed by the many thousands of Japanese who travelled to the affected areas as volunteer aid workers.

Given the complex national psychology of philanthropy in Japan, tax incentives have never dominated giving. This is changing slowly; recent announcements from the Prime Minister's Office indicate it would become easier for citizens to donate money to charities. There are some 39,000 non-profits in Japan, with only 116 of them being recognised by the National Tax Agency for tax deductibility.

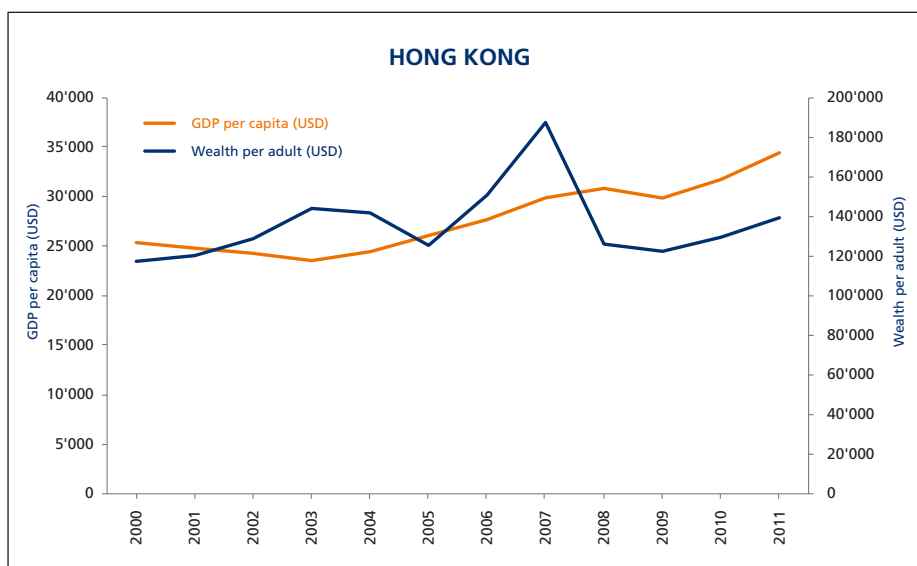


HONG KONG



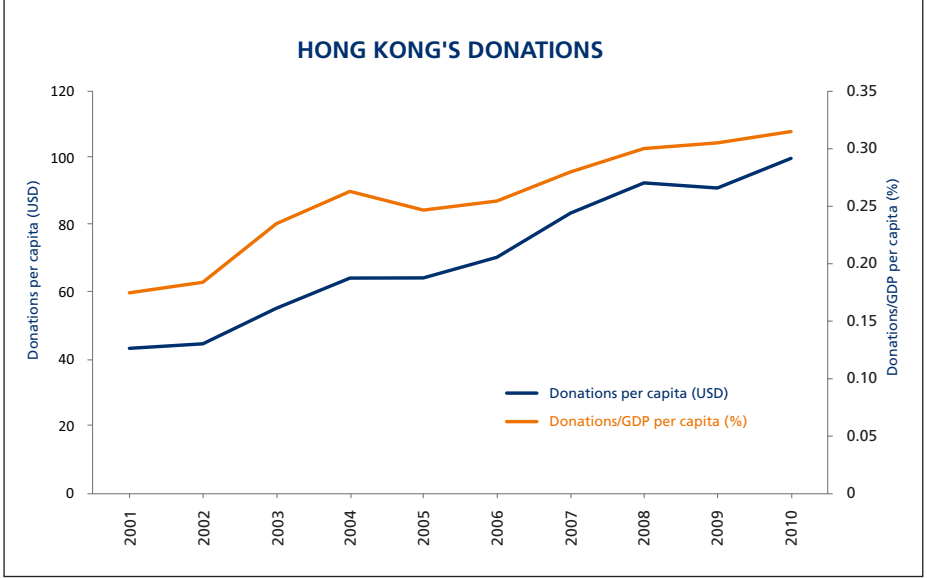
Population	7 million
GDP	\$244 billion
GDP per Capita	\$34,457
Total Wealth	\$800 billion
Number of Millionaires	89,000
Ranking in CAF World Giving Index	11
CAF - % giving money	73
CAF - % volunteering time	16
CAF - % helping a stranger	59

Hong Kong, a special administrative region of China, had a GDP of \$244 billion in 2011. The economy has grown about three percent annually over the past decade. Total wealth stands at \$800 billion or \$139,500 per adult. Hong Kong's wealth gap is the largest in Asia, with one-fifth of its seven million residents earning less than half the median income. The growing disparity has caused outbreaks of social unrest, likely to increase as the population ages and the economy rebalances from industrial restructuring.



Hong Kong is ranked 11th place in CAF's World Giving Index, with 73 percent of its population donating money, making it one of the most generous nations in Asia, according to CAF. Growing much faster than its GDP, the amount of donations from individuals has more than doubled from \$372 million in 2003 to \$707 million in 2010, while donations per GDP has grown from 0.23% to 0.31% in the same period. The British colonial legacy left Hong Kong with a well-developed non-profit sector, where churches and charities were encouraged to fill the social service gap resulting from a low taxation policy. The general public views giving to charity as normative behaviour, reinforced by popular events such as flag days and telethons. During the 2004 Asian Tsunami, the level of giving per person ranked highest in the world. Hong Kong's culture of giving is overlaid with traditional Chinese values – meeting local and family needs, and donating to causes linked to ancestral ties in Mainland China. In 2009 donations from Hong Kong made up 64 percent of charitable funds in China. As one of the gateways to China's vast hinterland, the potential growth in more wealth in Hong Kong is tremendous. With this concentration of wealth, philanthropic activities are poised to grow as well.

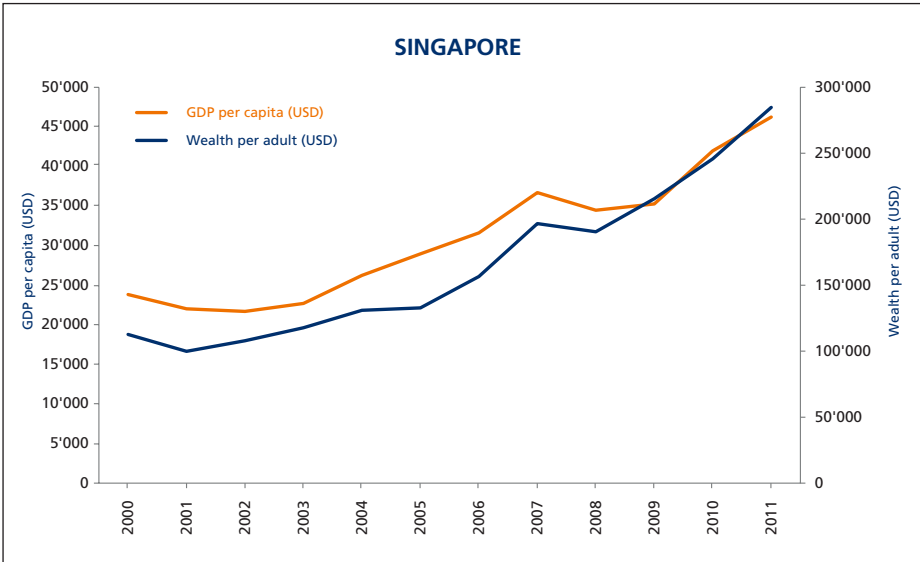
Tax regulation in Hong Kong is also supporting the growth of philanthropic activities. Donations receive tax deductible status as long as the charities are registered with the Inland Revenue Department. Charities working in the area of poverty, religion and education can receive tax exemption and thus tax deductions for their donors, even if their operations are worldwide in nature.



SINGAPORE

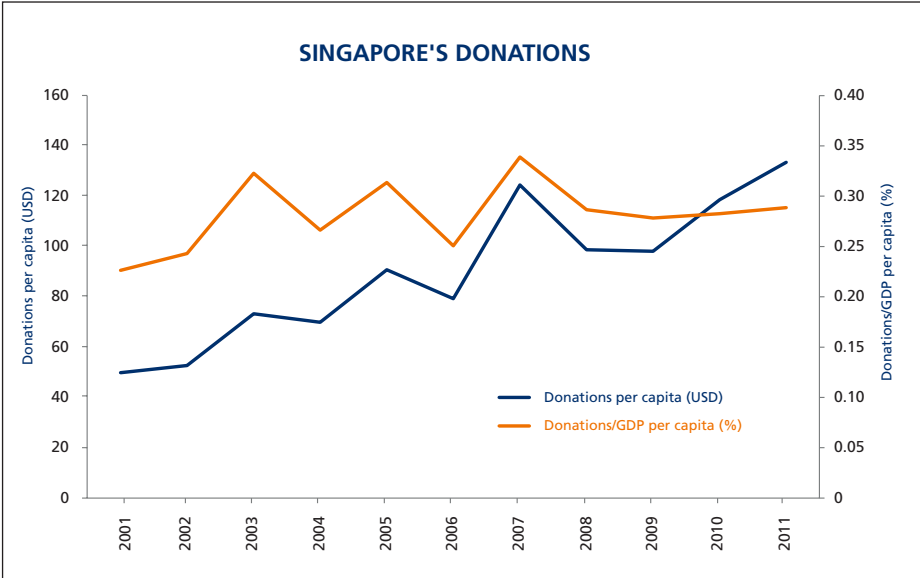



Population	5 million
GDP	\$240 billion
GDP per Capita	\$46,241
Total Wealth	\$1,100 billion
Number of Millionaires	183,000
Ranking in CAF World Giving Index	91
CAF - % giving money	41
CAF - % volunteering time	11
CAF - % helping a stranger	33



Singapore, a small island state, has the highest GDP and wealth per capita in Asia at \$46,241 and \$284,700 respectively. In the past decade, its economy has grown at an average annual rate of eight percent.

Charitable giving has also grown more than two-fold from \$206 million in 2001 to \$692 million in 2011. Donations per GDP rose from 0.23% to 0.29% in the same period. Though all registered charities enjoy income tax exemption, donations that receive tax-deductible status are generally limited to charities that spend a majority of their income locally.





Singapore, with a high concentration of wealth does not have as huge a domestic demand in philanthropy as its neighbouring countries. Recognising this and leveraging on the increasing affluence in Asia, the Singapore government has been positioning the country as a private banking hub for HNWI's as well as a regional hub for philanthropy. It provides incentives for foundations, donor advised funds and other philanthropic trusts to locate in Singapore. International philanthropy advisory bodies are setting up bases in the country to engage local and overseas donors. As more and more regional HNWI's manage their assets in Singapore, philanthropic activities is poised to rise sharply given the growing interest in philanthropy by HNWI's.

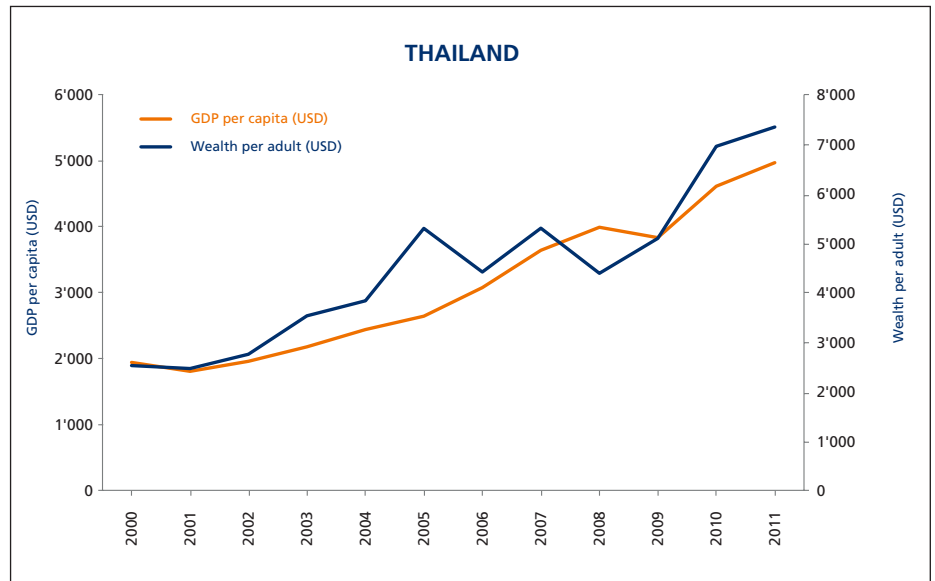
THAILAND



Population	70 million
GDP	\$346 billion
GDP per Capita	\$4,972 Total
Wealth	\$400 billion
Number of Millionaires	17,000
Ranking in CAF World Giving Index	9
CAF - % giving money	85
CAF - % volunteering time	17
CAF - % helping a stranger	50

The Thai Economy has been growing at an average rate of 10 percent for the past decade. GDP increased two-fold from \$123 billion in 2000 to \$346 billion in 2011. The strong economic growth gives rise to a corresponding large increase in total wealth per adult from \$2,527 to \$7,351 for the same period.

The giving culture is ingrained in the Thai culture due to community bonding as well as Buddhist religious principles. Currently, a significant portion of Thailand philanthropy is still allocated for religious causes. As the philanthropists move towards distributing their funds to more diverse causes, more funds will be made available for strategic and venture philanthropy. While tax deductibility is not a major driver for giving in Thailand, it is available to donors when supporting local, registered non-profits.



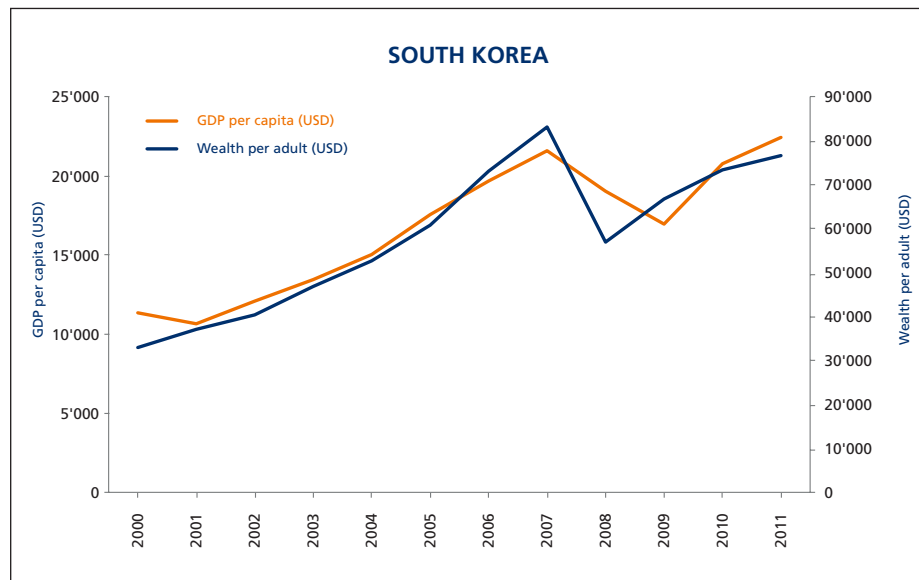
SOUTH KOREA



Population	50 million
GDP	\$1,116 billion
GDP per Capita	\$22,424
Total Wealth	\$2,900 billion
Number of Millionaires	217,000
Ranking in CAF World Giving Index	57
CAF - % giving money	34
CAF - % volunteering time	24
CAF - % helping a stranger	44

The South Korean Economy has been growing at an average rate of seven percent for the past decade. GDP increased more than 100 percent from \$533 billion in 2000 to \$1,116 billion in 2011, giving rise to a corresponding increase in total wealth per adult from \$32,969 to \$76,621 for the same period. There are now 217,000 millionaires in South Korea.

There is little published research on charitable giving in Korea. The 1998 economic crisis in South Korea impacted on giving by encouraging charitable contributions as a means to reduce growing wealth disparity. Recent academic research³² by Kwak at the Korea Institute for International Economic Policy, on the impact of tax deductibility on giving suggests that tax incentives will become a significant factor on levels of giving in South Korea.



³² Online at <http://mpr.ub.uni-muenchen.de/36845/>

List of Interviewees

We are very grateful for the individuals who agreed to be interviewed for this study. Most of the interviews were made for the purpose of creating the released profiles included in the study. Other interviews were informal for the purpose of gaining information and insights about philanthropy in Asia.

Name	Organisation	Location
Ailing Zhuang	Rende Foundation	Shanghai
Audrey Selian	Rianta Philanthropy/Artha Platform (p. 116)	Geneva
Ben Rudick	Schoenfeld Foundation	Shanghai
Ben Tsiang	CNEX (p. 96)	Taipei
Bien Kiat Tan	Social Ventures Singapore	Singapore
Catherine Loh	Community Foundation of Singapore (p. 91)	Singapore
Daichi Hirose	PlaNet Finance Japan (p. 93)	Tokyo
David Zuellig	Zuellig Family Foundation (p. 84)	Singapore
Deval Sanghavi	Dasra (p. 67)	Mumbai
Ding Li	Non-Profit Incubator (p. 125)	Shanghai
Dongli Zhang	Transist Impact Labs (p. 54)	Shanghai
Doris Kwan	GIVE	Hong Kong
Ernesto Garilao	Zuellig Family Foundation (p. 84)	Manila
Francesco Caruso	ADM Capital Foundation (p. 49)	Hong Kong
Francis Ngai	Social Ventures Hong Kong (p. 63)	Hong Kong
Han Xiao	Lanshan Social Investment	Beijing
John Forsyth	Richard Chandler Corporation (p. 52)	Singapore
Keith Chua	APVentures	Singapore
Ken Ito	Social Venture Partners Tokyo (p. 60)	Tokyo
Lee Poh Wah	Lien Foundation (p. 82)	Singapore
Lisa Genasci	ADM Capital Foundation (p. 49)	Hong Kong
Liza Green	New Day Asia (p. 65)	Hong Kong
Maria Alessandra Foglia	Insitor Fund (p. 58)	Milan
Micaela Ratini	Insitor Fund (p. 58)	Phnom Penh
Mongkol Kasaemsun	Thailand Social Enterprise Office (p. 129)	Bangkok
Oanh Pham	Centre for Social Initiatives Promotion (p. 123)	Hanoi
Prapapan Banlusilp	Thailand Social Enterprise Office (p. 129)	Bangkok
Robert Kraybill	Impact Investment Exchange Asia (p. 119)	Singapore
Ryan Glasgo	ADM Capital Foundation (p. 49)	Hong Kong
Satoko Kono	ARUN (p. 70)	Tokyo
Scott Lawson	SOW Asia (p. 56)	Hong Kong
Stanley Tan	Community Foundation of Singapore (p. 91)	Singapore
Sunit Shrestha	ChangeFusion (p. 127)	Bangkok
Tan Soo Nan	Tote Board (p. 87)	Singapore
Tao Ze	China Foundation Center (p. 114)	Beijing
Vidya Sha	EdelGive Foundation (p. 46)	Mumbai
Wang Ping	YouChange (p. 89)	Beijing
Willie Cheng	APVentures	Singapore
Wolfgang Hafenmeyer	LGT Venture Philanthropy (p. 121)	Zurich
Yip Kum Fei	Tote Board (p. 87)	Singapore

Glossary

Angel investors (business angels)

Business angels are wealthy, private investors, who provide capital for young companies at the start-up phase or during a level of expansion. Unlike venture capitalists - whose money is often pooled by investment firms - business angels usually invest their own funds.

Business angels are not only valuable for their financial contributions, but also for offering their expertise and in many cases, contacts to their invested company. Many business angels have had success as an entrepreneur or in executive positions at well-established companies or corporations.

Angel Investment Network

Angel investors may operate alone, in informal groups, or as part of formal angel networks. Angel investors usually take a minority equity stake in the enterprise they support. Some angel investor networks in Asia are known to have interest groups focused on social entrepreneurship and impact investing.

Blended value

The Blended Value Proposition states that all organisations, whether for-profit or not, create value that consists of economic, social and environmental value components – all that investors (whether market-rate charitable or some mix of the two) simultaneously generate all three forms of value through providing capital to organisations. The outcome of all this activity is value creation and that value is itself non-divisible and, therefore, a blend of these elements.

Jed Emerson

Community foundation

A community foundation is an independent, grant-making organisation that derives its assets from, and disburses grants within, a defined geographical location, usually a city or other identifiable local community. Many community foundations operate specialised philanthropic vehicles such as donor-advised funds in managing the giving of its client members. More recently some community foundations are moving beyond geographical limits to offer grants for international development in what is seen as a new trend for community foundations.

Enterprise philanthropy (also called impact giving) Providing grants and non-financial support to help an enterprise progress from design stage to the point where it is ready to embark on scaling up.

The Monitor Institute

Enterprise philanthropy is a niche within venture philanthropy that is focused on providing grant funding and advice to non-profits or early stage social enterprises to help them become ready for investment by impact investors.

Entrepreneurial philanthropy

Entrepreneurial philanthropy is the pursuit of social (not-for-profit) objectives by entrepreneurs through active investment of their economic, cultural, social and symbolic resources.

CGAP

Entrepreneurial philanthropy is about the active redistribution of wealth through harnessing the sum of resources accessible by the entrepreneur.

Swinburne University

Entrepreneurial philanthropy is an expression of philanthropy (where capital is deployed for primarily the creation of social value) that is creative and pragmatic and thus entrepreneurial in nature. Entrepreneurial philanthropy has a strong affinity with social entrepreneurs, and primarily supports the enterprises of social entrepreneurs. Venture philanthropists, enterprise philanthropists and impact-first impact investors are under the umbrella of entrepreneurial philanthropy.

Entrepreneurial social finance (ESF)

An umbrella term that captures financing models that are particularly appropriate for non-profit 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 and impact investing.

Foundation

A **private endowed foundation** creates a principal, or endowment, for investment and pays out income from the endowment annually to charity. Only the investment income is typically spent, not the endowment, ensuring the foundation's growth and continuation to meet future community needs. Private Foundations are required by law [in some jurisdictions] to pay out annual grants and other qualifying distributions at a minimum percentage of the fair market value of their assets.

A **pass-through foundation** is a private grantmaking organization that distributes all of the contributions that it receives each year, as opposed to just five percent of its assets. A foundation may make or revoke the pass-through option on a year-to-year basis.

A **private operating foundation** uses the majority of its income to actively run its own charitable programs or services. Some private operating foundations also choose to make grants to other charitable organizations

The Forum of Regional Associations of Grantmakers

In many countries a foundation's legal status confers certain taxation privileges such as tax deductibility for contributions to the foundation and exemption from paying corporation tax.

In some countries the term foundation is used by operating non-profit organisations (also called NGOs or charities).

A corporate foundation is a grant-maker linked to a company, and is usually one vehicle for discharging the business' corporate social responsibility.

Giving circle

A giving circle is a highly participative form of collective philanthropy in which members increase their impact of pooled charitable dollars. Groups of individuals

organize themselves to pool financial resources and collectively decide where and how to donate their money.

Resource Alliance

Many giving circles are self-managed, where members perform assessment, administrative and reporting functions. Other circles, especially larger ones, employ professional staff for day-to-day grant management. Most circles encourage their members to contribute time and skills, as well as money, to the organisations being supported. Most giving circles use grants to support non-profits, but some may use loans or equity in some circumstances.

Impact angel investors (social angels)

Experienced individuals, acting alone or in groups or networks, who provide finance and business advice to early stage social enterprises. Impact angels usually have an entrepreneurial commercial background and are often engaged in angel investing. Depending on circumstances, including the legal form of the investee organisation, impact angels may or may not use equity as their financial tool.

Impact investment

Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market, to market rate, depending upon the circumstances. Impact investors actively seek to place capital in businesses and funds that can harness the positive power of enterprise.

Global Impact Investing Network

Practically speaking, impact investors are broadly characterised as two overlapping communities, reflecting their desire to maximise either social or financial gain.

'Impact-first' impact investors prefer to maximise social or environmental impact and to do so are willing to cap any financial gains.

'Finance-first' impact investors are more commercially-driven investors who want to optimise financial gain at the expense of social value created.

Innovation

Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service. It is capable of being presented as a discipline, capable of being learned, capable of being practised.

Peter Drucker

Innovation is driven by entrepreneurship – a potent mixture of vision, passion, energy, enthusiasm, insight, judgement and plain hard work, which enables good ideas to become a reality. [The purpose of innovation] is creating value... whether expressed in financial terms, employment or growth, sustainability or improvement of social welfare.

Bessant and Tidd

Intrapreneur

An intrapreneur is a person who acts like an entrepreneur, in terms of taking risks, pursuing innovation, but does it inside of an existing business.

The Wharton School

Internal entrepreneurship.

Bessant & Tidd

Intrapreneurs innovate from within existing organisations, rather than by creating new ones. They are committed to continuous improvement through risk-taking experimentation.

Outcome-oriented philanthropy

'Outcome-oriented' is synonymous with result-oriented, strategic, and effective. It refers to philanthropy where donors seek to achieve clearly defined goals; where they and their grantees pursue evidence-based strategies for achieving those goals; and where both parties monitor progress toward outcomes and assess their success in achieving them in order to make appropriate course corrections.

Paul Brest

Philanthrocapitalism

The word was coined in 2008 by Bishop and Green to describe the practices of individuals who wanted to apply to their philanthropy 'the secrets behind their money-making'. They are characterised as very wealthy, committed to improving what they perceive as the failing of traditional philanthropy, business-like in their approach to charitable giving.

Philanthropy

Philanthropy stems from the Greek, meaning 'love of humanity'.

Popular interpretations today refer to 'private initiatives for public good' (J. W. Gardner) or initiatives directed at the 'improvement in the quality of human life' (Robert Bremner). Colloquially, philanthropy is most commonly used interchangeably with charitable giving.

WINGS

The deployment of financial and human capital for primarily social impact.

Private equity (venture capital)

Private equity is medium to long-term finance provided in return for an equity stake in potentially high growth companies, which are usually, but not always, unquoted. Investment opportunities are sourced and screened by private equity firms (also known as general partners, or GPs) in order to arrive at a valuation. The transaction will be financed using equity provided by LPs and in some cases debt raised from banks. The GP will then actively manage the investment for the holding period (typically five to ten years), seeking to generate operational improvements in order to increase the value of the company. Returns are realized for investors through exiting the deal; this can be through floating the company

on a public stock exchange (IPO - initial public offering) or a secondary buyout, whereby the portfolio company is sold to another private equity firm.

Venture capital firms back concepts or ideas brought to them by entrepreneurs, or young companies looking for financing to help them grow.

British Venture Capital and Private Equity Association

Quasi-equity

Quasi-equity is a financial instrument that aims to reflect some of the characteristics of shares (preference or ordinary). However, it is neither debt nor equity, and is usually structured as an investment whereby repayment is linked to the investee's financial performance (e.g. repayment is calculated as a percentage of the investee's future revenue streams).

Venturesome

Social enterprise (social business)

Social enterprises are, first and foremost, businesses. The term refers to any non-profit, for-profit or hybrid corporate form that utilises market-based strategies to advance a social cause. Like any other business, it aims to create surpluses, but seeks to reinvest those surpluses to achieve its social objectives. Social enterprises are not businesses driven by a need to maximise profit for their shareholders or owners.

Social Enterprise Association, Singapore

Social business is a for-profit enterprise whose primary objective is nevertheless to achieve social impact rather than generating profit for owners and shareholders. Social businesses use market principles, produce goods and services in an entrepreneurial and innovative way, and typically reinvest any surpluses back into the enterprise to achieve the social mission. In addition, they are managed in an accountable and transparent way, in particular by involving workers, customers, and stakeholders affected by its business activity.

European Commission

Social entrepreneurship

Social entrepreneurship refers to the application of innovative, practical, and sustainable approaches to benefit society in general, with an emphasis on those who are marginalized and/or poor. Regardless of whether the social enterprise is set up as a non-profit or for profit, fulfilment of the social mission is the primary objective, while financial value creation is a secondary objective and a means to improve the organization's reach and impact.

The Schwab Foundation for Social Entrepreneurship

Social finance

Social finance may be understood as a broad area wherein various forms of capital are structured in ways that consider and value both financial performance and social value creation.

Emerson, Freundlich and Fruchterman



Socially Responsible Investment (SRI)

Sustainable and Responsible Investing is a broad-based approach to investing that ... recognizes that corporate responsibility and societal concerns are valid parts of investment decisions. SRI considers both the investor's financial needs and an investment's impact on society. SRI investors encourage corporations to improve their practices on environmental, social, and governance issues.

The Forum for Sustainable and Responsible Investment

Strategic philanthropy

Strategic philanthropy is a form of philanthropy using focused research, creative planning, proven strategies, careful execution and thorough follow-up to achieve the intended results; ideally reflects and is driven by the philanthropist's core values and concerns.

The Centre for Social Impact

Theory of change

A theory of change shows [an organisation's] path from needs to activities to outcomes to impact. It describes the change you want to make and the steps involved in making that change happen. Theories of change also depict the assumptions that lie behind your reasoning, and where possible, these assumptions are backed up by evidence.

New Philanthropy Capital

Venture philanthropy

Venture philanthropy offers a blend of capital and business advice to help entrepreneurial organisations achieve their ambitions for growth and development.

AVPN

Venture philanthropy works to build stronger social organisations by providing them with both financial and non-financial support in order to increase their social impact. The organisations supported may be charities, social enterprises or socially driven commercial businesses, with the precise organisational form subject to country-specific legal and cultural norms.

EVPA

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acsep: knowledge for good

Innovation in Asian Philanthropy

Entrepreneurial Social Finance in Asia: Working Paper No. 2

Innovation in Asian Philanthropy is the second working paper in our series on Entrepreneurial Social Finance (ESF), which is a term we coined to capture a growing number of financing models that focus on providing capital and non-financial support to social entrepreneurs and entrepreneurial social ventures. ESF is a broad canopy of practices that includes models such as venture philanthropy and impact investing. In social financing, this approach represents an attitudinal shift from 'donor' to 'investor' in the relationship with those seeking capital, and operates across a wide spectrum of financial inputs, risk appetite and expectations of return on investment.

With the globalisation of social entrepreneurship, interest in entrepreneurial social finance is rapidly evolving in many parts of Asia, with the potential to offer Asia's social entrepreneurs key resources they require to initiate ventures and grow them to scale, while offering investors the maximum return on philanthropic capital.

Despite economic progress having lifted millions out of poverty in the last 20 years, one half of Asia's 1.63 billion people live on incomes of less than USD 2 a day. Sustained economic growth throughout Asia creates an increasing environmental burden and challenges social order from a widening gap between rich and poor. On the other hand, an unprecedented level of personal wealth is being created in the region. The number of high net worth individuals in Asia now exceeds that in either North America or Europe.

Innovation in Asian Philanthropy views the development of philanthropy in Asia through the lens of innovation in three areas: entrepreneurial philanthropy, strategic philanthropy and the philanthropy ecosystem. The study draws on 26 interviewed case studies from 10 Asian countries that illustrate the diversity of innovative approaches being explored by philanthropists and impact investors in Asia today.



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