Boiling the ocean

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Social entrepreneur Durreen Shahnaz set out to change Social Entrepreneurship in Asia, which she likens to “boiling the ocean”; it is now at least lukewarm

When The Rockefeller Foundation invited Durreen Shahnaz to a gathering in Italy in early 2009, she was settled at the Lee Kuan Yew School of Public Policy at the National University of Singapore where she was teaching social entrepreneurship and social innovation. Her blog, “Conscious Capitalism”, had attracted the New York-originated foundation’s attention with its objective of “explor(ing) a system which can bring about simultaneous economic and social good in the world”.

Shahnaz had moved into teaching after a few years in the print media business post-OneNest, a social enterprise – “before the term was coined”, Shahnaz muses – she started and sold off that was an online global marketplace for handmade goods. The Bangladeshi native had no intention of running another social enterprise, but the trip to Italy, where she met heads of stock exchanges and various foundations, changed her mind.

“I remember after the four days, the Rockefeller Foundation people...took me aside and said, ‘You know how to do it, go and do it,’” Shahnaz recalls about the genesis of what would become Impact Exchange, which is “the world’s first public trading platform dedicated to connecting Social Enterprises (SEs) with mission-aligned investment”. “And I said, ‘No, I did my entrepreneur thing. Not anymore.’ And they said, ‘No, go and write a business plan and we’ll support you.’”

Impact investing for individuals

That business plan would lead to the creation of Impact Investment Exchange Asia (IIX), which consists of two arms: the Mauritius-based Impact Exchange, and Impact Partners, a private placement (direct investment) platform into social enterprises. A year later, a sister not for profit entity, Shujog, was created whose objective is to “assess [an initiative’s] impact and quantify it so that organisations can measure and magnify it”. Since its inception, IIX has facilitated investments of over US$12 million in over 25 deals across Asia.
"When we started this in 2009, it was so nebulous," Shahnaz told Perspectives@SMU. “It was grand and big, and being a practical entrepreneur, I wasn’t sure anyone in Asia would back it – there is just no appetite for that kind of risk.

“Rockefeller pushed me, and we have literally changed the entire spectrum of social entrepreneurship in Asia. I always said we started by attempting to boil the ocean and it is now at least lukewarm.”

Part of the shift can be attributed to Shahnaz’s strategy of targeting high net worth individuals (HNWIs) in Asia whose practice of philanthropy sometimes fall short of delivering the desired impact.

“Asians do philanthropy in an interesting way,” notes Shahnaz, referring to the private and family-oriented way Asians give money. When Bill Gates and Warren Buffett urged rich Asians to give half their wealth to charity as part of The Giving Pledge movement, the Americans essentially got told, “Thank you and goodbye. Don’t tell us how to give,” Shahnaz says.

“Asians like to help the family, community and village,” Shahnaz explains. “More often than not, the philanthropic contributions are also much more limited than their western counterparts.

“What that also means is that the use of philanthropy to meet social needs doesn’t happen. When you’re just thinking about building another school in your home village, it might not even need another school. Philanthropy simply isn’t equally distributed.”

To meet social needs in a way that simultaneously provides HNWIs a way to earn a financial return and a social return, IIX created the Impact Partners private placement platform where SEs can secure investment capital from HNWIs. To date, IIX has completed deals in many sectors: energy (Bangladesh, Cambodia, India), education (India, the Philippines), water (India), and agriculture (Indonesia).

**Listing for change**

Besides private placements, IIX is casting its net wider with Impact Exchange, the world’s first Social Stock Exchange, which is “devoted to listing securities that meet stringent criteria relating to social and environment impact”. One such security is the recently announced Women’s Livelihood Bond, which will be launched in 2016 and is set to raise US$20 million.

"I always said we started by attempting to boil the ocean and it is now at least lukewarm." - Durreen Shahnaz

“The aim is to impact half a million women, mostly in Southeast Asia, to help them transition from subsistence farming to sustainable livelihoods,” explains Natasha Garcha, part of the Business Development and Partnerships teams at IIX and Shujog. "It’s not just about giving them access to capital but giving them access to skills, markets, and national resources. We’re looking at vocational training, fair trade, agriculture, microfinance – it’s the entire sustainable livelihood value chain.”

She adds, “What’s innovative about it is it pulls together a group of high-impact entities, such as microfinance organisations and social enterprises. So not only is it diversifying the risks, it also allows them access to capital markets; it links development and finance really well.”

It is not only SEs who benefit by gaining access to capital markets that are focused on impact investing. Shahnaz tells of private banks whose clients have been asking for products that create a social impact, only to find there are none available.
"The private banks don’t have these products that have double or triple bottom lines, so they come to us. It’s also quite nice for the banks because they can say, ‘This is something substantial, and we can offer it to our clients.’ We now have potential banks ready to partner with us.

“You can have a movement happening but it’s a lot of hard work which banks are not willing put in. Banks aren’t willing to figure how to get capital to a company in rural Cambodia which is trying to get electricity off grid, for example. There is plenty of work to be done to get the company investment-ready so it makes little economic sense.

“We are willing to do all of that. This is the business we’re in.”

MAKING THE MOST OF CORPORATE SOCIAL RESPONSIBILITY

It is a win-win situation but there is an additional benefit: financial firms get the opportunity to maximise their Corporate Social Responsibility (CSR) efforts.

Putting together these deals require in-depth understanding of financial markets which are often beyond the grasp of most SEs. Global investment firm KKR had been working with IIX to provide SEs with what Shahnaz calls “technical assistance” – the financial, operational, and analytical expertise to get funding.

KKR’s latest such effort helped a Filipino vaccine company, Glovax, secure a US$1 million credit line to expand its work of providing affordable vaccines to low-to-middle-income Filipinos. Shahnaz believes this is central to how companies can make an impact sustainably going forward.

“We said to KKR, ‘You have your CSR programme, which is painting a school or something of that nature. That’s fine but if you are really talking about CSR using your skillsets, and using them to do good, you’d be more useful doing financial modelling than painting school walls.’

“It’s imperative for corporations to look at how they are going to use what they do to make sustainable change. It has to be part of the organisation’s strategic thinking and philosophy.”

She adds, “I do feel that, in Asia, we can play a leadership role in this. We have over 1 billion people living in poverty in the region. We also have 3.4 million high-net-worth individuals. We need to look at it not only in terms of individuals and what they can do, but also at the corporate level.”

Durreen Shahnaz was the opening speaker and moderator of the panel “Strategic philanthropy: Philanthrocapitalism and Impact investing” at the Asia Pacific CEO Congress held on August 18-19, 2015.