THE CONTINUUM OF CAPITAL IN ASIA

HIGHLIGHTS ACROSS THE FULL SPECTRUM OF SOCIAL INVESTMENT

CONTENTS

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SUMMARY

Since 2011 AVPN has striven to increase the flow of financial, human and intellectual capital into non-profits and social enterprises, collectively referred to as Social Purpose Organisations (SPOs), in Asia to tackle social challenges. We have garnered critical insights into the social investment landscape in Asia through multiple events, research reports, case studies and tools. For instance, the AVPN Knowledge Centre compiled case studies of best practices along five practice areas – pre-engagement, capacity building, impact assessment, portfolio management and multi-sector collaboration - across Asia to professionalise the sector. The Social Investment Landscape in Asia report outlines the development of the 14 social economies to facilitate cross-border investment. The Deal Share Platform enables matchmaking of members' investees with other social investors and resource providers.

Building on our past and existing work, this paper on 'The Continuum of Capital in Asia - *Highlights across the full spectrum of social investment*' aims to:

1. Present an overview of the various practices social investors and intermediaries across Asia are adopting and outline how these have become increasingly synergistic and complementary,

2. Provide social investors and intermediaries with broad trends in Asia,

3. Identify gaps and opportunities in the social investment ecosystem where different actors can maximise impact.

INTRODUCTION

While discussions around social investing tend to focus on the practices within 'labels' such as venture philanthropy or impact investing, we find that some progressive funders in Asia are using diverse practices in order to maximise impact and solve social issues. The social investors observed in this report are leveraging a more complete portfolio of financial and non-financial contributions, showing that funders' practices branch beyond, or even defy, 'labels.' Instead of clearly delineated silos, these investors function along a 'Continuum of Capital' that is better equipped to service Social Purpose Organisations (SPOs), who require different kinds of funding and non-financial support throughout their lifecycle on their journey to scale.

This paper brings to life some examples of this Continuum of Capital and how it manifests in Asia as well as shares insights into how this model could be expanded for more effective deployment of capital into the social economy in Asia.

The four primary social investor groups looked at in this paper are: foundations, impact funds, corporates and intermediaries.

Consequently, this paper focuses on:

1. Defining the Continuum of Capital
2. Impact Behaviour – what is the role of impact in funders and intermediaries' activities
3. Funding Flow - where does the social funding come from and where is it channelled to
4. Funding Behaviour - how is capital provided and where are the gaps

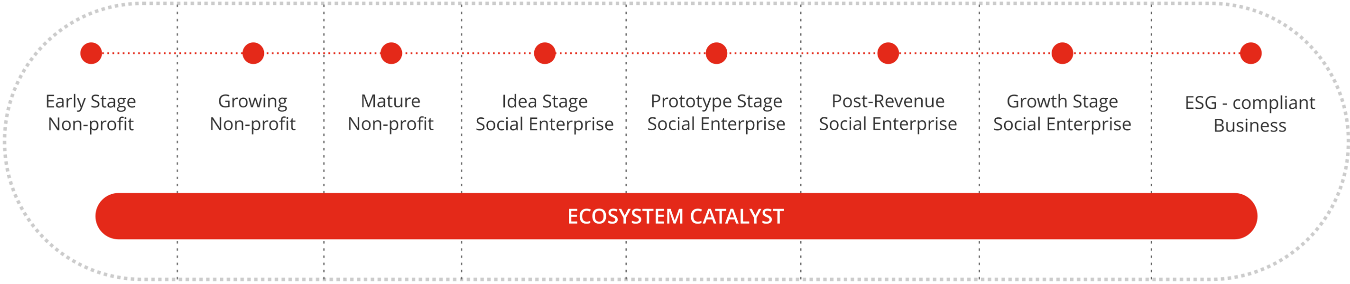
WHAT IS THE CONTINUUM OF CAPITAL?

To illustrate this concept, we look at the typical journey of an SPO:

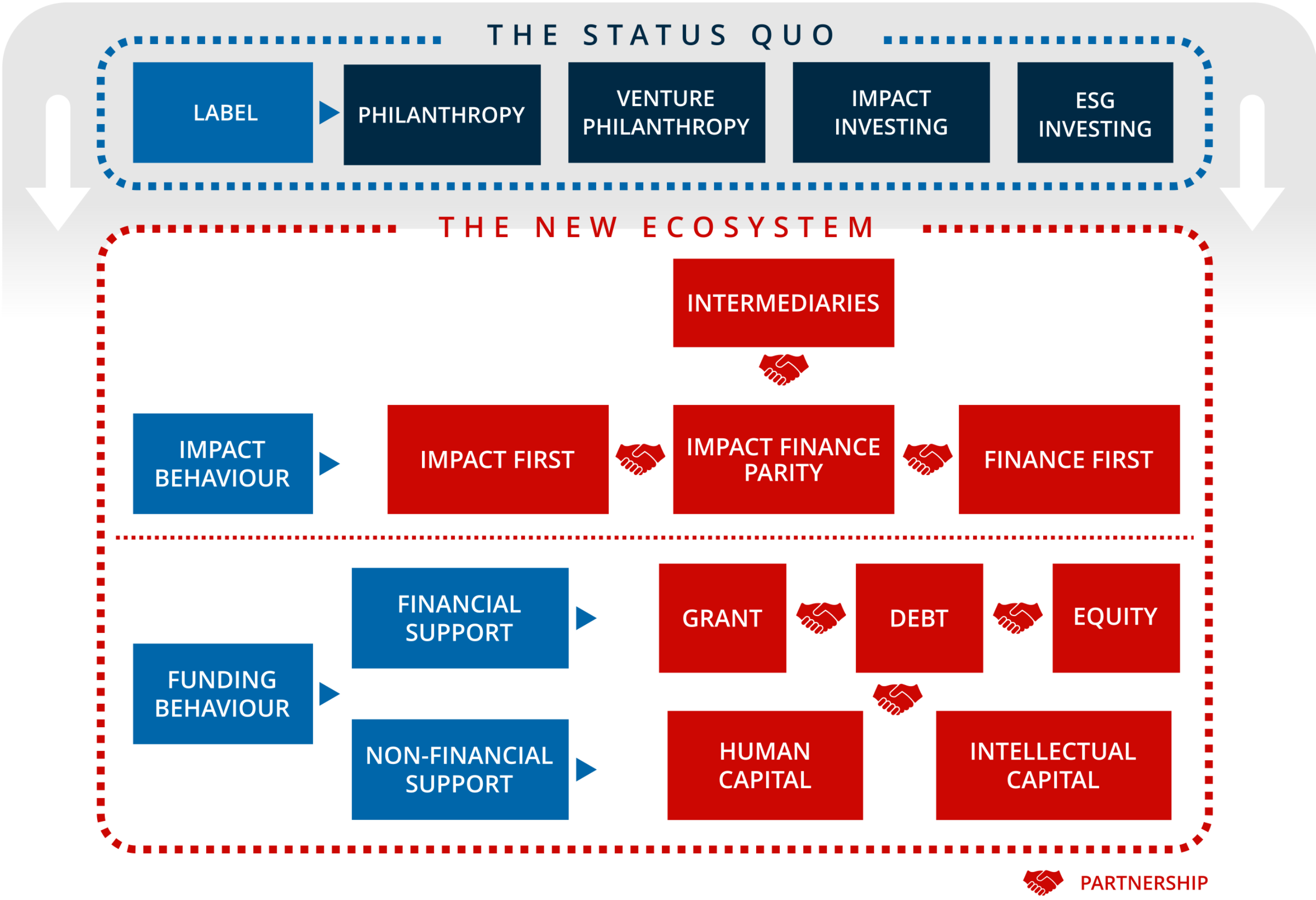
As SPOs scale they require different kinds of capital and non-financial support. However, the 'missing

Continuum of Capital

ENSURING FUNDING FOR SPOS THROUGHOUT THEIR LIFECYCLE



Social Investment Ecosystem - A Paradigm Shift



middle,' or 'valley of death' is a real phenomenon for many SPOs and means that they may not be able to receive the right funding and support at the time that they need it. (See page 11 for more details) As a result, scale and the solution to the social issues are not achieved and the SPOs may cease to exist.

To ensure not only sustainability of SPOs but moreover scale and solutions to social issues, funders and intermediaries need to work in an ecosystem.

In a vibrant ecosystem where all kinds of capital collaborate to form a Continuum of Capital, funders may leverage different financial tools – combining grants, debt and equity across multiple investments within their own portfolio - to achieve deeper social impact or they may seek out key partners and collaborators that can take on follow-on funding once an SPO has graduated from their portfolio.

IMPACT BEHAVIOUR

Social investors create impact through providing resources and/or funding for SPOs and have unique methodologies for doing so

Foundations and impact funds often create impact through grant-making and direct social investments as well as non-financial support in the form of management support, impact measurement and access to networks. Intermediaries also generate impact through working with their SPOs or by providing advisory services or conducting research for funders for more strategic decision making, usually on a fee for service basis.

Corporates create positive social and environmental change in more diverse ways. They can establish a foundation and then follow the same impact chain as private foundations (Prudence Foundation/Prudential Corporation Asia), launch corporate impact venturing (The Happiness Foundation/SK Group), support intermediaries (Singtel) or work on making their products/services and supply chain more inclusive and sustainable (Danone, Unilever, MTR Corporation).

These practices require a new paradigm for understanding how funding and non-financial support flows are converted into social impact.

Consequently, this influences how we identify opportunities for collaboration between different funders.

Foundations, impact funds and corporates are mostly impact-only and impact-first

Foundations and impact funds in AVPN are mainly impact-only, impact-first or combining both through a blended approach. That means impact plays a central role in their decision-making process and is the prerequisite when funders select grantees and investees to support.

While foundations are typically seen to prioritise their social missions, most impact funds and corporates also see impact as core to what they are doing. Impact funds such as Accion, Crevisse, Insitor, Nexus for Development screen potential investments with an impact lens first and foremost. Corporate foundations such as ABS-CBN Lingkod Kapamilya Foundation, Prudence Foundation, Dr. Reddy's Foundation, Narada Foundation are primarily impact-only.

In this light, AVPN members are uniquely positioned to build an enabling social investment ecosystem for high-potential SPOs to thrive and scale.

Foundations are critical catalysts in impact areas that have yet to become attractive or viable for impact investment and to foster active ecosystem builders

As more and more funders become interested in deploying financial and non-financial resources into the social investment ecosystem, foundations with more flexibility to spend their grants and bear greater risks are more willing to venture into certain impact areas before they become attractive or viable for impact investors. This is done in two major ways:

- Supporting sectors where market infrastructure is not yet developed:
  - Rockefeller Foundation supports the mini-grid sector in India
  - ABS-CBN Lingkod Kapamilya Foundation has developed eco-tourism in the Philippines since the 1990s
- Focusing on impact areas that are less funded and need more attention:
  - Nippon Foundation is filling gaps in ageing and childcare in Japan
  - Narada Foundation funds eldercare in China

IMPACT FUNDS

Crevisse – Achieving competitive financial returns over a wide range of impact areas

WHAT?

Investing in early-stage and growth-stage impact businesses

- Impact areas: education, environment, affordable housing, energy, culture and arts

HOW?

- Equity, loan and government grants
- Ticket sizes: early stage USD10,000 – USD100,000, growth stage USD500,000 - USD 1 million
- Funding horizon: 5-8 years
- Expected IRR: early-stage 10x-50x, growth-stage 10%-30%
- Non-financial support: finance, HR, accounting etc.
- Impact Accelerating Programme: Seoul, Jakarta, Hanoi-HCMC, partner with local partners

  - Prudence Foundation supports disaster preparedness in Southeast Asia
  - Fred Hollows Foundation focuses on eye health globally
  - Mornington Services focuses on ocean protection and conservation

Foundations also play an active role in building the social investment ecosystem by:

- Financing early-stage social enterprises that have passed the seed-stage, which is usually supported by grants and/or microloans, but are too small to be funded by mainstream investors. Such enterprises are often referred to as those in the 'missing middle' or 'valley of death'. (DBS Foundation, Beijing ECharity Foundation, Leping Social Entrepreneur Foundation, Narada Foundation, Nippon Foundation)
- Introducing new concepts (Leping Foundation introducing B Corp certification into China and investing B Corps)

- Piloting innovative practices before they become mainstream (Nippon Foundation grant-funded three social impact bond (SIB) pilots in Japan and launched two full-fledged SIBs in Kobe and Hachioji through the Japan Social Impact Investment Foundation (SIIF)

Overall, philanthropic capital has proven to be critical to address a wide array of impact areas as well as to develop a more vibrant and effective social investment ecosystem.

Impact funds are starting to broaden their impact areas and contribute to the social investment ecosystem

Deal flow in Asia remains an issue and impact investment is often associated with investing in financial inclusion or affordable housing.

Yet, the AVPN members profiled are front-runners in broadening their impact areas and building the wider social investing ecosystem. The impact areas addressed by impact funds in Asia are increasingly diversified. They focus on for-profit models in sectors such as: education (Crevisse, Insitor), clean energy (Crevisse, Insitor, Nexus), sustainable tourism (Crevisse), agriculture (Evergreen Labs, Insitor), waste management (Evergreen Labs), livelihood enhancement (Insitor), culture and arts (Crevisse), water and sanitation (Insitor, Nexus for Development).

Impact funds also generate ecosystem impact by:

- Closing the financing gap in the market (SME financing - Anthem Asia)
- Providing the right funding and capacity building, while demonstrating that impact investing can generate competitive financial returns (Crevisse)
- Building the investee companies, providing capacity building and all overhead services to entrepreneurs to allow them to focus on their daily operations (Evergreen Labs)
- Training and knowledge sharing (Insitor)

Corporates create impact at the intersection of business strengths and community needs as a bridge between the local and the global

Corporates create impact by responding to the real needs of the communities they operate in where their core expertise can make a difference. Beyond traditional CSR and corporate philanthropy, corporates increasingly bring in their business skills, human resources, network and sometimes access to market to benefit the local community in addition to making grants.

The impact areas corporates focus on are specific to the context of the markets in which they are present. These include:

- Disaster preparedness in Southeast Asia (ABS-CBN Lingkod Kapamilya Foundation, Prudence Foundation)
- Financial inclusion and mini-grids in Myanmar (Yoma Strategic Holdings)
- Quality education in India (Dr. Reddy's Foundation, Edelgive Foundation)
- Financial literacy across Asia (Prudence Foundation)

Corporate impact venturing is also becoming popular

IMPACT FUNDS

Anthem Asia – Building sustainable SMEs

WHAT?

- As a 100% for-profit investor with a "finance-first with implied impact" approach, Anthem Asia aims at achieving market risk-adjusted return by helping SMEs in Myanmar to develop on multiple fronts simultaneously

HOW?

- Provides growth and expansion capital for SMEs of up to USD5 million, in tranches as the business expands, held for a longer period as Myanmar is a frontier market
- Helps portfolio companies put in place proper corporate governance, create decent jobs with proper contracts, accept the need to pay taxes, and encourage women's participation
- Conducts ESG screening and track impacts on individual firms to help them become truly sustainable
- Collaborates with AmCham and DICA on corporate governance; Founder Institute on mentoring, as well as other impact funds and MFIs for information and resource sharing

CORPORATES

Yoma Strategic Holdings – Impact gateway into Myanmar

WHAT?

Inclusive business - Publicly listed conglomerate active in real estate, automotive, consumer, financial services and portfolio of investment

HOW?

- 2014: USD100 million loan from ADB to improve infrastructure connectivity needed for sustainable economic growth in Myanmar
- 2017: Set up Yoma Micro Power with Norfund to distribute micropower plants and mini-grids in rural communities
- 2018: Invested in Wave Money, a leading mobile financial services company, in partnership with Telenor, the largest telco in Myanmar, to improve financial inclusion
- 2018: CEO sits on the executive committee and is a board member of Myanmar Institute of Directors (MIoD), which aims to promote corporate governance and best business practices
- 2018: Joined the M2030 initiative by The Global Fund, to advocate, accelerate progress and eliminate malaria in Asia-Pacific by 2030
- 2018: Partnered with the Rockefeller Foundation, the World Bank and USAID for Smart Power Myanmar
- 2018: IFC and the government of Canada invested in Yoma Micro Power

and many choose to finance early-stage social enterprises at the ‘missing middle’ in their respective markets (DBS Foundation, Beijing ECharity Foundation, Narada Foundation, Singtel).

In addition, many corporates leverage on their regional (DBS Foundation, Singtel) or international footprint (Prudence Foundation) as well as work with multilaterals and development finance institutions (DFIs) such as UNICEF (MTR Corporation), IFC and Norfund (Yoma Strategic Holdings) to amplify social good. Through these geographically wide activities and international partnerships, they have become a bridge between the local and the global.

Intermediaries are critical for other stakeholders to maximise impact given their technical expertise and local knowledge

Intermediaries work across the supply and demand side of social investment and enable various stakeholders to become more effective and efficient in creating and maximising impact. They support both SPOs and funders, facilitate collaborations and build the ecosystem in multiple ways:

- Leveraging on their sector expertise to help funders and SPOs make better decisions (ACCESS Health International focusing on healthcare and ageing, The Education Alliance and Learning Links Foundation on education, T-Hub on technology-driven social enterprises)
- Acting as local partners for international and cross-border funders to provide deep local knowledge and connections that funders might lack (UnLtd Indonesia, Instellar, Impact Hub Yangon)
- Filling knowledge gaps (Resonance, Asia Value Advisors, Thailand Development Research Institute (TDRI))

Impact Measurement

Impact measurement still has room to develop. Funders and intermediaries in Asia typically measure their impact at the SPO level. Some intermediaries in India are developing more rigorous impact assessment frameworks at the beneficiary level (The Education Alliance, Learning Links Foundation) or to measure their impact at the ecosystem level (Okapi Advisory Services).

- Advocating for policy changes (Okapi Advisory Services, Child Rights and You (CRY))
- Formalising the social enterprise sector through certification (Star of Social Innovation)

Ecosystem building is increasingly deliberate and large-scale

AVPN members are contributing to the social investment ecosystem primarily through their funding, non-financial support and, to a lesser extent, knowledge creation and sharing and policy advocacy. While most of such efforts are ad hoc, some funders are moving the needle by deliberately driving large-scale ecosystem building activities:

- Nippon Foundation in Japan launched SIIF in 2017 to invest as a fund-of-funds and act as an intermediary for SIBs
- China-based Narada Foundation established the China Social Enterprise and Investment Forum (CSEIF) with 16 other Chinese foundations to build a collaborative and enabling ecosystem for social investment in China
- The Tata Trusts, one of the most respectable public foundations in India, launched Social Alpha, a non-profit providing patient capital in grants and equity to social start-ups along with non-financial contributions by functioning as an accelerator

FUNDING FLOW

Where do funders get their social investment capital from?

Foundations are vehicles for mainstreaming social innovations through diversified funding

Asian foundations have become vehicles for mainstreaming social innovations through their diversified funding sources. They have initial endowments (Sasakawa Peace Foundation, Narada Foundation, Ten20 Foundation), receive funds from the public (The Fred Hollows Foundation, ABS-CBN Lingkod Kapamilya Foundation), gambling money (Nippon Foundation), corporate donations and HNWIs (ABS-CBN Lingkod Kapamilya Foundation, Leping Social Entrepreneur Foundation) and institutional donors (Dr. Reddy's Foundation).

Given this unique position in the ecosystem, foundations are well-placed to foster cross-sector collaborations towards systemic change.

Impact funds are increasingly tapping institutional investors

Impact funds traditionally receive capital from HNWIs, family offices (Accion Venture Lab, Anthem Asia, Insitor) and sometimes DFIs (Insitor, Nexus for Development). As GIIN argues in its impact investing roadmap, making impact investment accessible to institutional investors is one of the immediate actions that need to be taken.[1]

Impact funds in Asia seem to be starting to tap into institutional investors. UOB has been running its impact fund under UOB Venture Management arm. CVC Capital Partners, a private equity fund, invests in two funds in Hong Kong. KEB Hana Bank and K Growth Investment Corporation, a fund-of-funds established by 18 commercial banks, co-invests in an impact fund launched by The Happiness Foundation as Limited Partners (LPs). Sumitomo Mitsui Banking Corporation (SMBC) is one of the investors in the Kobe SIB and in the process of setting up an impact fund with SIIF.[2]

INTERMEDIARIES

ACCESS Health International –Transcending silos to amplify impact

WHAT?

- Increasing impact in healthcare and ageing by working across silos

HOW?

- Technical partner: Provide technical Support to funders
- Incubator and capacity builder: support innovators and incubate early-stage social innovations (e.g. a community of about 1,500 innovators in Singapore and 1,000 innovators in China)
- Knowledge sharing: Engage experts to share their domain knowledge
- Convenor: Facilitate multi-stakeholder collaboration

Intermediaries are largely grant funded by DFIs and international foundations

DFIs and international foundations are main funding sources for local intermediaries in Asia. These are in the form of grants or fees for services. Intermediaries, with their on-the-ground networks and projects across the supply and demand side of social investment capital, are well positioned to provide local knowledge and act as a gateway into Asian countries. Impact funds such as Crevisse have also engaged them for programme implementation.

However, financial sustainability remains a concern among most intermediaries. While they are critical to help SPOs scale through their non-financial support or help funders make more strategic decisions, they often struggle to be financially sustainable. More financial support could be extended to intermediaries to value the role that they play in building the overall ecosystem and facilitating the Continuum of Capital. Impact could then be amplified as their work cuts across the ecosystem.

Sustainable Development Goals

Sustainable Development Goals (SDGs) are not the decision-making framework for most funders in Asia. They feel there is significant overlap between the SDGs and the impact they are creating. Some corporate funders find the SDGs useful in helping them to prioritise impact areas.

FOUNDATIONS

Nippon Foundation – From direct social investment to national ecosystem building

WHAT?

Supporting SPOs + large-scale ecosystem building

HOW?

- 2013: Launched Japan Venture Philanthropy Fund (JVPF) in partnership with Social Investment Partners to support early-stage SEs in ageing, child care, education
- 2014: Hosted the secretariat for the Japan National Advisory Board as part of the Global Social Impact Investment Steering Group (GSG). Ran 3 SIB pilots
- 2017: Founded SIIF as an independent entity dedicated to ecosystem building (investing in impact funds and intermediaries, structuring SIBs, policy advocacy). Successfully crowded-in institutional investors (Sumitomo Mitsui Banking Corporation)

Which organisations do funders fund?

Foundations and impact funds invest across models and growth stages

Due to their role as catalysts, foundations are often assumed to be funding only early-stage SPOs, mostly non-profits, while impact funds are seen as focusing on later stage SPOs, mainly for-profits. We observed that funders in fact, support SPOs across business models and growth stages.

- Foundations support both non-profits and social enterprises across growth stages (Nippon Foundation, Sasakawa Peace Foundation, Leping Foundation, Narada Foundation)
- Likewise, impact funds fund from early through to growth stage (Nexus for Development, Insitor) and in doing so are going beyond funding less risky, more profitable growth-stage social enterprises
- Corporates fund established non-profits as well

as early-stage social ventures depending on their chosen social impact strategies

This blurring of lines shows that funders are branching beyond their original 'buckets' or 'labels.' Funders seem to be more flexible to employ instruments needed to support scaling of SPOs and maintain a portfolio of different investments to maximise impact.

FUNDING BEHAVIOUR

'Missing middle' remains prevalent although some actions are being taken

The 'missing middle' is prevalent in different ways across Asia. In South and Southeast Asia, there is a lack of capital available to early-stage social enterprises. By contrast in South Korea, the government has focused on early-stage social ventures and there is little support for growth-stage ones.

AVPN members are aware of this phenomenon and are beginning to fill this financing gap. Angel investors in the Angel Investment Network Indonesia (ANGIN) funds early-stage social ventures from as low as USD10,000 to USD250,000 via a syndication mechanism. Singapore-based telecommunications company Singtel aims to fill the 'missing middle' with funding between SGD20,000 – SGD110,000 (USD15,256 – USD83,909) and capacity building support. Korea-based The Happiness Foundation leads an impact fund that invests in growth-stage social enterprises that are looking to scale-up.

THE *MISSING MIDDLE* IN EARLY-STAGE FINANCING

A 2017 AVPN study shows that funding from USD5,000 to USD2 million is in short supply in Southeast Asia. Early-stage funding for social enterprises in South Asia is also scarce.

The nascent and fragmented nature of social enterprises in these regions means that there is generally a weak pipeline of investment-ready enterprises. The majority are too small and years away from being able to absorb investment. They are also lacking business skills and thus need a lot of technical support.

Source:
ASEAN CSR Network, Oxfam and AVPN (2017) Towards Inclusive and Sustainable Growth in the ASEAN Economic Community
AVPN (2017) Social Investment Landscape in Asia: Insights from North and South Asia

This is also a potential area for cross-border partnerships and examples for how the missing middle is being filled are emerging. An example is the partnership between Korea-based Crevisse, MYSC and UnLtd Indonesia, with funding support from Korea International Cooperation Agency (KOICA), to roll out Remake City Jakarta programme to support social start-ups tackling social issues in urban areas.[3]

To foster social innovations, foundations are funding and providing non-financial support for the longer term

The common perception is that foundations provide single-year grants. Many foundations in Asia are funding and providing non-financial support for the longer term to foster social innovations. The time horizon they are usually looking at is between three to five years with a lens of continuing support. Some engage with SPOs for up to eight years.

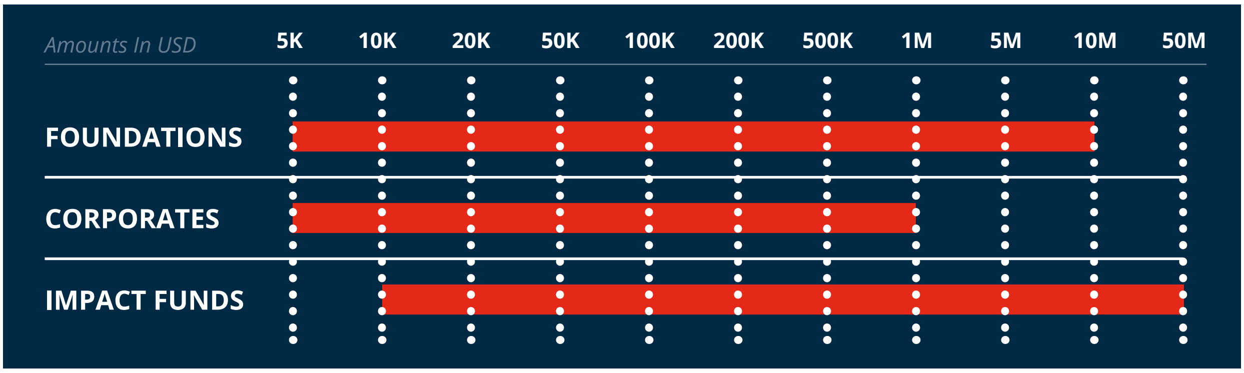
While foundations provide multi-year funding, one of their key objectives is to enable SPOs to diversify their funding streams and become financially sustainable. Long-term engagement allows SPOs to choose the right funders and avoid mission-drift.

In addition, foundations provide an array of non-financial support to enhance SPOs' long-term viability. Common types of support are: management support, strategy planning, proposal writing, product development, impact assessment, marketing and branding, advocacy and mentorship.

Some foundations fund impact investors to provide capacity building to the latter's investees. For instance, Accion, a global non-profit committed to creating a financially inclusive world, receives grants from Mastercard Foundation and Rockefeller Foundation, as well as Credit Suisse, FMO, Mastercard Corporation and others to implement financial and advisory support.

Philanthropic capital is thus critical to enable non-profits and early-stage social ventures to grow and scale, especially those operating in impact areas that are not yet viable for investment.

Ticket sizes by funder clusters in Asia



Mainstreaming of financial return expectations among impact funds

Some impact funds in Asia such as Crevisse, Anthem Asia and UOB Venture Management are aiming at market-rate risk-adjusted returns to above-market risk-adjusted returns, indicating they are getting closer to mainstream commercial investment in terms of financial expectations. This also defies the common myth that impact investment accepts below-market financial returns to achieve social impact.

However, it is important to note that not all impact funds seek market-rate returns. Many local funds such as Evergreen Labs and NPI seek below-market risk-adjusted returns. Reasons for this are that not all business models of SPOs allow for a market-rate return and investors may choose to subsidise impact creation or a longer journey to scale, hence bridging the 'missing middle.'

Overall, this shows that the impact-financial expectations of impact funds vary. These expectations in turn inform funds' choices in terms of impact areas, stages of the enterprises, geographic focus, and to some extent affect the capital sources they can access.

FOUNDATIONS

Narada Foundation – Supporting SPOs from seed to scale

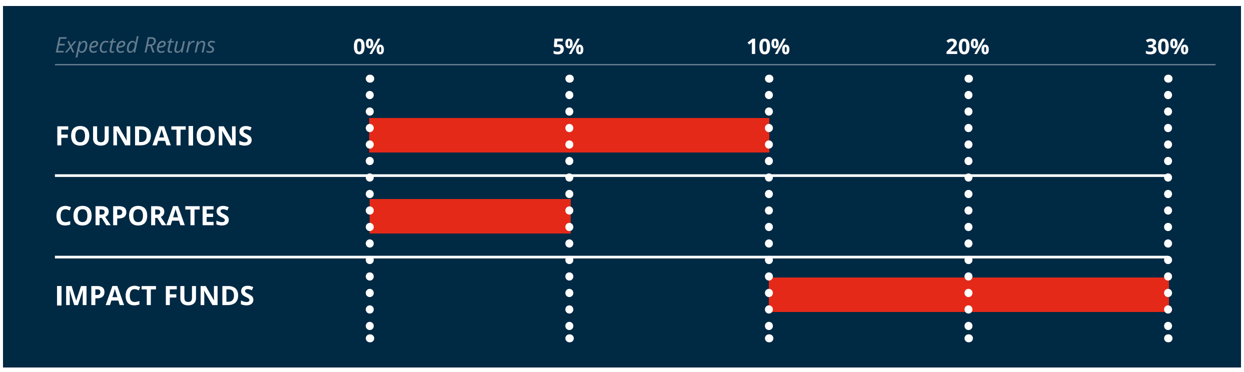
WHAT?

Supporting SPOs of multiple growth stages, ecosystem building

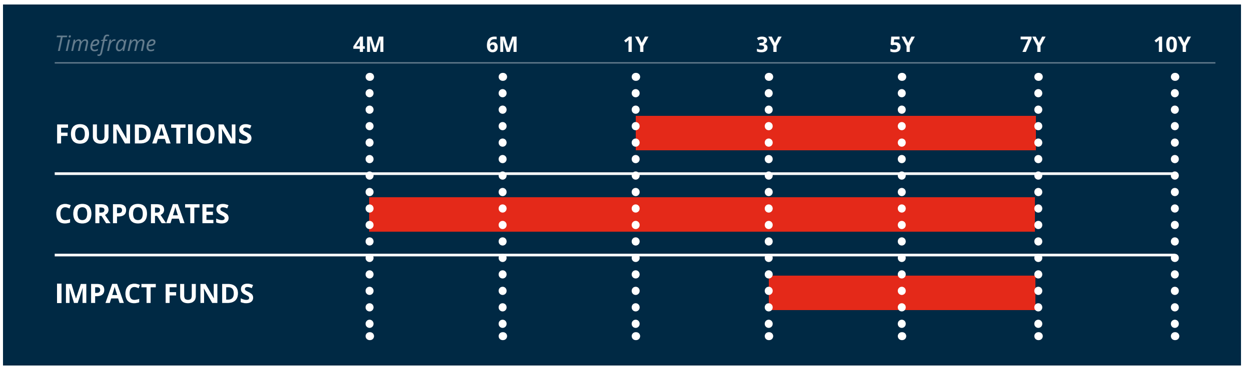
HOW?

- Launched the "China Effective Philanthropy Multiplier" to scale-up social innovations
- Ginkgo Fellow Programme for social entrepreneurs and leaders of early-stage SPOs
- Bright Way Programme for growth-stage SPOs with the potential to scale up
- Provides funding to SPOs that build market infrastructure
- Established the China Social Enterprise and Investment Forum (CSEIF) with 16 other Chinese foundations to build a collaborative and enabling ecosystem for social investment in China

Financial return expectations by funder clusters in Asia



Actual funding horizons



INTERMEDIARIES

UnLtd Indonesia and Instellar – One goal, two funding strategies

WHAT?

- UnLtd Indonesia is the licensee of UnLtd (UK) providing support for early-stage social entrepreneurs in the country. Its former Executive Director, Romy Cahyadi, now becomes a member of the Trustees and launched Instellar, a purpose-driven company providing services to a wider spectrum of business, including growth-stage social enterprises, as well as other organisations wanting to create sustainable and scalable impact.

HOW?

- UnLtd Indonesia taps into philanthropic funding from international foundations (Rockefeller, JP Morgan Foundation, Ashmore Foundation, Trafigura Foundation, The Happiness Foundation).
- As a for-profit company, Instellar's business model is to provide services to social enterprises, corporate, civil society organisations and development agencies in collaborative projects to build the social innovation ecosystem.
- Together UnLtd Indonesia and Instellar form the continuum of capital for social enterprises from seed to growth stage by tapping into different funding sources

Funders do not face impact-finance trade-off, but intermediaries do

Funders in Asia generally do not see themselves as facing an impact-finance trade-off as they prioritise impact over profits. They are realistic and accepting of the financial returns (or the lack thereof) they receive.

Impact-only funders typically do not look at potential financial returns. For impact-first funders, impact comes first and financial returns come second. Certain impact funds look for social enterprises where financial values are in lockstep with social values. As these enterprises grow, they reach more beneficiaries and enjoy higher profits as a result.

For intermediaries however, striking a balance between impact and financial returns can be challenging. They are usually grant-funded or charge a fee for their services. Thus they often secure finance first before starting a project. Since their impact is tied to the amount of funds they raise, sustainability is key. There is a significant need for the ecosystem to come together and support the functions of intermediaries.

CONCLUSION & RECOMMENDATIONS

This paper has outlined approaches and practices funders and intermediaries in Asia adopt to generate impact as well as key emerging trends in the Asian social economy. Our findings highlight opportunities that stakeholders could leverage on, and challenges that need to be addressed to catalyse an effective Continuum of Capital for SPOs throughout their growth stages.

Opportunities

The current landscape of social investment practices in Asia presents some key opportunities for growth.

Overall, there is a convergence in impact behaviour as impact funds are broadening their impact areas and corporates have become increasingly sophisticated in their impact strategies. Intermediaries aim to increase impact across silos by filling gaps with their technical expertise and local knowledge. This presents an important opportunity for cross-sector collaboration as different stakeholders can bring in their strengths and expertise towards common social and environmental goals.

Funding sources for impact are increasingly diverse. Foundations register the most diversified sources of funding, while impact funds have begun to attract institutional investors. There is a blurring of lines as foundations and impact funds invest in various models and growth stages, indicating they are defying 'labels.' This in turn enhances the synergies between different groups of funders.

Funders do not see themselves as facing impact-finance trade-off. At the same time, some impact funds are moving closer to mainstream commercial investment in terms of financial return expectations. This shows that clearer segmentation of funders is taking shape in Asia, which allows for better identification of potential partners as well as a more effective Continuum of Capital as SPOs seek to diversify their funding.

Challenges

However, several challenges need to be overcome.

While we are seeing encouraging developments across Asia, the more developed social economies are making faster strides than the less developed ones. For instance, impact funds in Japan, Hong Kong and South Korea seem to have more success in terms of crowding in institutional investors than those in other Asian markets. Large-scale ecosystem building is also implemented in pockets such as Japan, China and India. Southeast Asia (except for Singapore) appears to be lagging behind.

Furthermore, weak pipelines remain a key issue in many social economies, especially in South and Southeast Asia. The majority of enterprises in these regions are years away from the investment-ready stage and therefore need a lot of non-financial support.[4] Debt financing might play an important role in fostering these enterprises but is still underutilised.[5]

Impact measurement still has room to develop across Asia. Without rigorous impact measurement, impact will not be effectively managed. Yet, funders and intermediaries still assess their impact at the SPO level; very few look at the beneficiary level.

Last but not least, many intermediaries in Asia struggle to achieve financial sustainability despite playing a critical role of helping other stakeholders maximise their impact. While some intermediaries have proved to be key partners that can alleviate the pipeline issue for funders and are developing rigorous impact measurement frameworks, they are largely supported by DFIs and international foundations. Their ability to secure diversified funding is key to not only their viability but also the development of an impactful social investment ecosystem in Asia.

Recommendations

In light of these opportunities and challenges, we propose the following actions that need to be taken moving forward:

1. Given that corporates have become increasingly sophisticated in their impact strategies, they can be a valuable partner for foundations and impact funds that provides non-financial support, especially in terms of business expertise, mentorship and access to networks.

2. Foundations, corporates and intermediaries could allocate more resources towards solving pipeline issues in less developed social economies in South and Southeast Asia.

3. More support should be given to intermediaries given their critical role in ecosystem building.

4. More efforts need to be put into developing rigorous impact measurement frameworks at the beneficiary level, which could go a long way in improving decision-making and maximising impact.

5. Collaboration between foundations, corporates, impact funds and intermediaries may prove to be powerful in forming a Continuum of Capital for SPOs throughout their growth stages.

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1. *GIIN (2018) Roadmap for the Future of Impact Investing: Reshaping Financial Markets. https://thegiin.org/assets/GIIN_Roadmap%20for%20the%20Future%20of%20Impact%20Investing.pdf*
2. *Interview with Ms Nanako Kudo, Executive Director, SIIF on 2 March 2018*
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5. *AVPN (2017) Social Investment Landscape in Asia: Insights from North and South Asia, p. 66*

NOTE ON METHODOLOGY

The research team used a combination of primary and secondary research methods. First, we conducted desktop research to identify key social investment themes and debates in the literature. Second, based on secondary information, we designed the interview questionnaires for primary research.

During the primary research phase, the team conducted in-depth interviews with 52 AVPN members across Asia.

We analysed interview notes and identified common patterns among them as well as within key member clusters – foundations, corporates, impact funds and intermediaries. We then corroborated primary insights with findings from various secondary sources including our past research publications. Overall, we aimed to map out key trends and developments in social investing practices in Asia that shed light on some of the most pertinent current debates.

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51. Villgro Innovations Foundation	*India*
52. Yoma Strategic Holdings	*Singapore*

AVPN is a unique funders' network committed to building a vibrant and high impact social investment ecosystem across Asia. AVPN is catalysing more strategic and collaborative social investment from philanthropy to impact investing, addressing key social challenges facing Asia today and in the future.

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