



Technical Assistance Consultant's Report

Project Number: 46240
September 2017

Are Social Enterprises the Inclusive Businesses of Tomorrow?

Development Banks' Perspective

(Financed by the Government of Sweden and GIZ)

Prepared by Dalberg Global Development Advisors

For Asian Development Bank

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: All the views expressed herein may not be incorporated into the proposed project's design.)

Asian Development Bank

ACKNOWLEDGMENT

Dalberg Global Development Advisors—a strategy and policy advisory firm with a specific service line focused on inclusive business—was commissioned by the Asian Development Bank (ADB), in cooperation with the Inclusive Business Action Network (IBAN), to:

1. Clarify the concept of social enterprises from the existing realities and definitions in various world regions;
2. Provide an overview of the social enterprise market in Asia (with references to Latin America); and
3. Make recommendations to support social enterprises, taking into consideration the context of development banks.

The study (i) reviews the definitions and concepts of social enterprises, (ii) outlines the landscape across 10 selected countries in Asia and Latin America, (iii) discusses challenges to scaling as faced by social enterprises, and (iv) presents suggestions for development banks to extend support to social enterprises through public and private sector investments.

The study categorizes social enterprises and argues that the comparative advantage of development banks is to support selected social enterprises that are commercially bankable and have the base of the pyramid (BOP) at the core of their business operations. Development banks can support these enterprises—considered as the inclusive businesses of the future—through investing in impact funds and/or public sector loans.

This study is useful to those who wish to compare social enterprises across sectors and across countries, and understand their key challenges to scale. This study is particularly useful for development banks and governments and/or ecosystem players who wish to design sustainable support initiatives for social enterprises.

ADB wishes to thank the Dalberg consulting team, especially Rajen Makhijani and Vineet Bhandari, for their committed and innovative approach to this report. ADB also thanks Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Government of Sweden for their financial support.

This study used a combination of primary and secondary research. The consulting team wishes to thank colleagues in 21 social enterprises, 14 impact investors, and 7 other intermediary organizations for sharing their experiences and information with the team. The consulting team also extensively reviewed literature on social enterprises; a detailed list is available in the annex.

ABBREVIATIONS

AfD	Agence Française de Développement
ADB	Asian Development Bank
AUD	Australian dollar
BOP	base of the pyramid
DFID	Department for International Development of the United Kingdom
IB	inclusive business
IBAN	Inclusive Business Action Network
IADB	Inter-American Development Bank
IFC	International Finance Corporation
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
MIF	Multilateral Investment Fund (of the IADB)
MSME	micro, small and medium enterprise
NGO	nongovernment organization
SEP	Social Enterprise Program (of the IADB)
SMEs	small and medium enterprises
TSEO	Thai Social Enterprise Office
UK	United Kingdom
USD	United States dollar
WBCSD	World Business Council for Sustainable Development
£	pound sterling
€	euro

NOTE

- (i) In this report, "\$" refers to US dollars unless stated otherwise.

CONTENTS

	Page
EXECUTIVE SUMMARY	4
I. UNDERSTANDING SOCIAL ENTERPRISES	4
A. Definition	4
B. Categories	6
C. Impact	9
II. THE LANDSCAPE OF SOCIAL ENTERPRISES	11
A. How many social enterprises operate in each country?	12
B. Which sectors see the most social enterprise activity?	13
C. How are social enterprises financed?	20
D. What regulations and policies recognize and support social enterprises?	22
III. CHALLENGES TO ACHIEVING SCALE	24
IV. THE ROLE OF DEVELOPMENT BANKS IN SUPPORTING SOCIAL ENTERPRISES	27
A. Development banks lack support to social enterprises	27
B. Why development banks should support social enterprises	29
C. Ways to financially support social enterprises	30
D. Suggested nonfinancial support to social enterprises	33
E. Growth Challenge Fund as a means to support social enterprises	34
V. CONCLUSION AND RECOMMENDATIONS	38
APPENDICES	
1. Definition of a Social Enterprise as Employed by Different Organizations	40
2. ADB's System of Inclusive Business and Social Enterprise Accreditation	41
3. List of Interviewees	43
4. List of References	43

EXECUTIVE SUMMARY

Social enterprises, which operate at the nexus of business and social development, have been making their mark as agents of change in the niche markets and the base of the pyramid (BoP) communities they serve. By pushing the boundaries in the creation and deployment of innovative business solutions to targeted needs of low-income, vulnerable, and/or marginalized groups, social enterprises have gained increasing attention and support from both the public and private sectors, and have been the target of a myriad of technical, policy, and financing interventions by various actors. Despite the broad acknowledgment and acceptance of the social good being brought about by social enterprises, there is still a prevailing lack of consensus on how to define social enterprises, lack of reliable information on and assessments of the social enterprise sector as a whole (going beyond case studies), lack of formal social enterprise-specific regulatory and monitoring guidelines in place (business registration of social enterprises remain low), and lack of well-defined metrics to measure the social impact, financial viability, bankability, and scalability of social enterprises. These limitations are critical barriers to social enterprises' access to larger, longer-term, and sustained technical and financial support such as those coming development banks.

Development banks collectively deploy large amounts of capital every year in sovereign and nonsovereign investments, and, over the years, a number of development banks have been developing large-scale investment portfolios for inclusive businesses (IBs)—defined by the Asian Development Bank (ADB) as commercially viable business entities (i.e., must meet nonsovereign operation standards of viability) that generate high development impact by (i) improving access to goods and services for the base of the pyramid population (i.e., low-income people), and/or (ii) providing income and/or employment opportunities to low-income people as producers, suppliers, distributors, employers, and/or employees. Even though a number of development banks such as the World Bank, Inter-American Development Bank (IADB), ADB, and Kreditanstalt für Wiederaufbau (KfW or German Development Bank) already have existing investment programs and projects for social enterprises, in general, development banks still tend to not invest in social enterprises primarily because of the perception that social enterprises are too small to achieve scale and be able generate substantial investment returns similar to that of a medium- to large-sized IB. This study explores and proposes how development banks can bridge social enterprise and IB financing by i) nurturing and building the profitability, social impact, and scalability of *leading social enterprises* (potential IBs) to feed into their pipeline of IB deals; ii) work with government through policy loans or a private sector intermediary (for example, an impact investor) to set up or support an existing social enterprise fund; and iii) supporting growth challenge funds for leading social enterprises.

I. UNDERSTANDING SOCIAL ENTERPRISES

A. Definition

1. **There is no consensus on the definition of a social enterprise; instead, most organizations have developed their own definitions.** The United Kingdom (UK)—which has one of the most mature ecosystems for social enterprises—defines a social enterprise as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize

profit for shareholders and owners.”¹ The Asian Development Bank (ADB) defines a social enterprise as “a business-oriented not-for-profit, or a mission-oriented for-profit enterprise. It has a social or environmental mission—or both—at the core of its work and seeks to operate in a financially sustainable manner.”² Annex 7.1 presents a list of definitions from various institutions.

2. **Most definitions distinguish social enterprises from other organizations based on the following two elements: (i) mission (social or environmental), and (ii) profit use.** There is a broad agreement that social enterprises are “mission first” organizations,³ that is, they place impact before revenues, profits, and commercial viability. These three elements are discussed below:

- **Mission: Does the organization create social or environmental impact?** The majority of organizations create some kind of indirect positive social impact (e.g., by contributing to economic growth or creating jobs). However, “mission first” organizations should seek to create impact directly on people. The core purpose of the organization should either be to provide product and/or services that (i) directly work to solve relevant problems of vulnerable populations (including those at the base of the pyramid [BOP]), or (ii) reduce the effects of climate change and/or environmental degradation explicitly linked to human development. For example, a computer manufacturing company spurring general technological innovation is not inclusive while one that adapts tablets for educational use by BOP customers can be classified as inclusive.
- **Profit use: How does the organization view profits as part of its operating model?** Social enterprises can be classified as those that seek financial return and those that do not. Social enterprises that seek financial sustainability through earned income strategies should have a clearly stated policy for profits generated. Profits generated may be partially or completely reinvested to further the mission rather than maximize profits for the shareholders and/or proprietors.

3. The G20 has developed an Inclusive Business Framework in 2015⁴, and this framework currently represents the most comprehensive effort made by key international stakeholders to consolidate and make distinctions among the existing definitions and models relating to including business (IB), including social enterprises. The framework identifies social enterprise initiatives as an IB approach. Accordingly, term “social enterprise” can refer to a wide range of entities—from non-profit NGOs to for profit companies, from small start-ups to large organizations—that pursue social objectives and social impact as its mission. The difference between IB and SE is in their sources of their primary funding—in the case of SE, it is mixed (including grants, debt, and equity), while IB funding comes from commercial sources—and in their financial return expectations. An IB is expected to generate market returns, while an SE is not profit-maximizing. In terms of funding requirement, an IB requires large-scale investments, whereas an SE can generally operate with smaller funding.

¹ Department of Trade and Industry, Government of the United Kingdom. 2002. *Social Enterprise: A Strategy for Success*. United Kingdom.

² <http://www.adb.org/features/businesses-mission-focus-social-enterprises>

³ This distinguishes social enterprises from inclusive businesses (IBs), which do not face a trade-off between impact and profits as the BOP is integrated into the core of the business model.

⁴ G20 Development Working Group. 2015. *G20 Inclusive Business Framework*. Turkey.

Table 1: G20 Inclusive Business Framework, IB Approaches

	Inclusive Business Models	Inclusive Business Initiatives	Social Enterprise Initiatives
BOP's relationship to business	Core value chain	Ancillary	Ancillary or core value chain
Financial return expectations	Market returns	Market returns or below market returns	Not profit maximizing
Primary funding type	Commercial	Commercial	Mixed

Source: G20 Development Working Group. 2015. *G20 Inclusive Business Framework*. Turkey.

4. **A degree of subjectivity is involved when qualifying organizations based on these definitions.** While such definitions are clear in intent, these are hard to apply. There is no consensus on which measurable parameters will determine if an organization is a social enterprise. Furthermore, there is no consensus on the right threshold for those parameters, if they exist. For example, should an organization, which generates only 10% of its revenue in serving the core mission, qualifies to be called inclusive? Is revenue the right parameter to measure? Is 10% the right threshold? Similarly, what is the least fraction of the profit that the organization should invest back to be deemed inclusive? This leads to a lack of objectivity. As a result, many organizations can (falsely) label themselves as social enterprises. Hence, it becomes important for development banks (and other organizations) to segment and identify the right “type” of social enterprises before extending support.

B. Categories

5. **Social enterprises can be segmented based on the three criteria—social impact, financial viability, and bankability.** This study recommends that social enterprises be classified into four categories⁵ based on the following three parameters:

- **Social impact.** This evaluates organizations on their relevance, BOP's relationship to their business, and potential scalability of their activities. The parameter on the BOP's relationship to the business tries to establish if the activity that creates impact is the same as or if it overlaps with the activity that generates revenues. Scalability, as the name suggests, is the ability of the organization to create large-scale impact (in reach and/or depth).
- **Financial viability.** This measures the current (or future) ability of the organization to fund its operations through the revenues it generates. It determines if the organization is (will) perpetually (be) reliant on grants.
- **Bankability.** This assesses the ability of the organization to achieve financial return to the investor. It is important to assess this from the perspective of development banks, which often require generating income from their investments.

6. **Social enterprises can be primarily classified into four categories.** Based on the above parameters, social enterprises can be segmented into the following four categories (Table 1):

- **Partly commercial nongovernment organization (NGO).** These social enterprise organizations are very similar to NGOs, which exist primarily to serve the needs of the

⁵ Note that these categories are not exhaustive, i.e., there can be other organizations that fall outside of these four and still be categorized as social enterprises by some definitions.

vulnerable (including the BOP). Their solutions are usually limited to the local community in scale. Such organizations do have some activities that generate revenues. However, these may or may not be the same as the ones that create impact. For example, an organization that provides free health checkups for the low-income population, but generates revenues from selling merchandise and accessing government aid, is a partly commercial NGO.

- **Small social enterprise.** Operations of such organizations are able to generate sufficient revenues to cover their cost of operations. The revenue generation model may or may not be central to the impact model. Since such organizations do not have sufficient operational margins, they are not bankable. For example, an organization that conducts health checkups for the low-income population by charging them a nominal amount just enough to cover its cost of operations is a small social enterprise.
- **Established social enterprise.** Such an enterprise is one that usually creates an innovative solution to the problems of the vulnerable sectors (including the low-income population) in a manner that is financially viable. This organization has reached scale. It generates only modest profits, most of which are ploughed back into the operations, and hence, are not bankable. An example is an organization that conducts health checkups for the low-income population in a manner that is financially viable and is able to scale up using partnerships with already existing government dispensaries.
- **Leading social enterprise (potential inclusive business).** Such an enterprise has a business model that integrates the BOP into it. The model is scalable and generates profits. The profits are split between reinvestment and shareholders. These organizations are bankable, although they often require considerable technical assistance and hand-holding to improve their business models. For example, an organization that leverages technology, conducts tele-health checkups (to reduce cost) for the low-income population by charging them a nominal amount, and is able to scale using already existing government dispensaries is a *leading social enterprise* (potential IB).

Table 2: Social Enterprise Categories

	SE categories				
	Partly commercial NGO	Small SE	Established SE	Leading SE (potential IB)	Inclusive Business
SOCIAL IMPACT					
BoP's relationship to business. Is (will) the activity that creates impact (be) core to the business model (in the future)?	Mostly not	Mixed	Mostly core	Core	Core
Scale. Is the impact large (in depth and/or reach)?	Mixed	Mostly not	Mostly yes	Yes	Yes
FINANCIAL VIABILITY					
Commercial viability. Is the business line financially viable now (or in the future), i.e., is the EBIDTA non-negative?	Loss making	Slightly negative or break-even	Low profits	Medium profits	Market return
Financial returns. Is the organization seeking financial returns?	No	Might	No	Yes	Yes
Use of profits. What are the net profits used for? Reinvestment for social impact and/or for shareholders?	Makes no profit	Makes very little profit	Reinvestment	Reinvestment and/or shareholders	Shareholders
Reliance on grant. Is the business line perpetually reliant on grants?	Yes	Mixed	No	No	No
BANKABILITY					
Can the organization meet the return investments of a development investor?	No	No	Mostly registered as non-profits	Yes	Yes
Examples					
Organizations/Initiatives	- Yangon bakehouse	- Backstreet Academy	- BRAC	- Kakao chocolate	- Manila Water
	- Doi Tung Development Project	- Good Food Community	- Proximity Designs	- East Bali cashews	- Patrimonio Hoy - Kennemer Foods

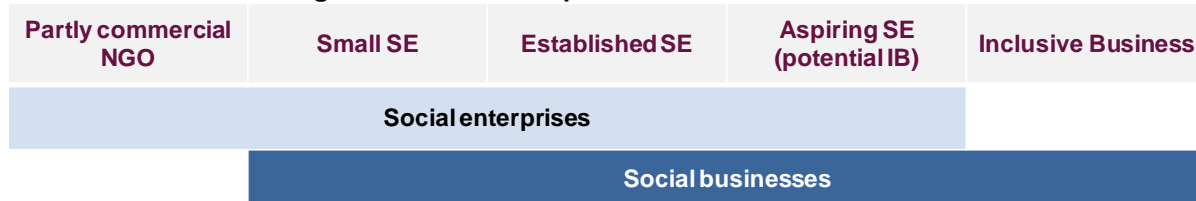
IB = inclusive business, NGO = nongovernment organization, SE = social enterprise,

Source: Adapted from the G20 Inclusive Business Framework. G20 Development Working Group, 2015

7. “Social business” is another common terminology used in this field. Figure 1 explains the difference between a social business and a social enterprise. The Yunus Centre defines a social business as “a cause-driven business.” In a social business, the investors and/or owners can gradually recoup the money invested, but cannot take any dividend beyond that point. The purpose of the investment is purely to achieve one or more social objectives through the operation of the company. The company must cover all costs and make profit, at the same time achieve the social objective, such as health care, housing, and financial services for the low-

income population; nutrition for malnourished children; providing safe drinking water; introducing renewable energy, and others, in a business way.⁶

Figure 1: Social Enterprises vs. Social Businesses



IB = inclusive business, NGO = nongovernment organization, SE = social enterprise.
Source: The authors/ consulting team.

C. Impact

8. **Evidence of social impact is scarcely available at the society level.** Social impact created by social enterprises is a convergence of job creation, increased access to goods and services, improvement of household income, and overall improvement in the quality of life for the marginalized sectors and low-income population. This impact can be measured at the individual enterprise level, at the national and/or society level, and at an intermediary level, i.e., at a group or portfolio of social enterprises. As one moves along the individual–portfolio–national spectrum, the availability of quality statistics and/or data is reduced drastically, especially at the society or national level. This is primarily because of a lack of common impact measurement systems. Very few countries collect systematic data on social enterprises due to a lack of a system of identification.

9. **Social enterprises help pockets of population through job creation and provision of goods and services in a country.** For instance, the Government of the United Kingdom has identified approximately 70,000 social enterprises. Of these enterprises, 56% hire at a range of 1–9 individuals, 23% hire at 10–49, 8% hire at 50–249, while 3% hire at least 50 individuals. In addition, at least 59% of these enterprises hire staffs that are disadvantaged in the traditional labor market. Most social enterprises provide services in health care specific to the vulnerable sectors, and employment creation or skill development.⁷ Similarly, social enterprises in the People's Republic of China create approximately seven jobs on average. Most social enterprises work in the area of education, facilitate social inclusion of the marginalized, and promote economic development through fair trade.⁸ In India, 26% of social enterprises hire between zero and five employees, while 4% has hired more than 200 employees. At least one-fourth of social enterprises in India serve at least 50,000 beneficiaries at the BOP annually, often in the education, health care, and water and sanitation sectors.⁹ However, beyond this, there is little information on the other elements of impact, such as depth and systemic nature of change.

10. **Major intermediary organizations are able to reach large numbers of beneficiaries.** Ashoka, a network of social entrepreneurs, supports 3,000 social entrepreneurs in 70 countries. Of the Ashoka fellows, 54% has created change in market dynamics and value chains. For example, over 1,200 farmers in India have adopted new farming practices through their provision

⁶ See Yunus Centre, <http://www.muhammadyunus.org/index.php/social-business/social-business>

⁷ Social Enterprise UK (2015).

⁸ Seforis (2014).

⁹ Intellect (2013).

and circulation of videos teaching agricultural extension. Ashoka fellows have also done work to include marginalized groups. One of these works is creating 1 million jobs for autistic people by putting them to work with companies that need people with outstanding memories or extreme attention to detail.¹⁰ Similarly, from 2001 to 2011, the Acumen Fund has reached 86 million people globally through 63 social enterprises. Of the 3.5 million low-income individuals who were not able to access electricity, they are now able to use solar lights at home. Half a million in rural villages of India now have access to safe drinking water at an affordable price.¹¹

11. A few social enterprises seem to create most of the impact at the society level. As noted earlier, most social enterprises create only a small number of jobs, which is indicative of the small scale of impact of most. However, there are a few, especially established social enterprises and the leading ones (potential IBs), which have been successful at creating large-scale impact. A few examples are listed below.

- Doi Tung Development Project (a commercial NGO) is a holistic and integrated sustainable alternative livelihood program based in Thailand. The project is funded by the Mae Fah Luang Foundation and covers 15,000 hectares of land that benefits 11,000 individuals in 29 villages. In the earlier phase between 1988 and 1993, it provided health education and preventive methods. It also provided basic life necessities and opportunities for skills training. In the current phase, the project strengthens the capacity of businesses, making them more sustainable and self-sufficient.¹² It operates in the tourism, food and beverage, and artisanal industry.¹³
- BRAC (an established social enterprise) is an international NGO based outside Bangladesh, operating in 10 other developing countries. As of December 2015, BRAC hires approximately 111,000 employees and reaches 138 million beneficiaries worldwide. Globally, it has trained 120,000 community health workers, provided credit and saving services to 5.3 million individuals, provided schooling to 13.3 million students, and equipped 41.6 million households with a hygienic latrine system.¹⁴
- East Bali Cashews (a leading social enterprise [potential IB]) is Bali's first large-scale cashew-processing facility with an annual turnover of \$1 million in 2014. It employs approximately 300 staff, of which 90% are women.¹⁵ Previously unemployed, these women now earn \$100–\$125 a month.¹⁶
- Rags2Riches (a leading social enterprise [potential IB]) is a fashion enterprise that collaborates with local artisans in the Philippines to create environmentally friendly products.¹⁷ Its artisans, often impoverished mothers, earn roughly \$12 a day, a 70% increase from the average daily wage in the Philippines.¹⁸ Rags2Riches also has a “quality of life” program to support local artisans in building good financial saving habits, and developing self-

¹⁰ Ashoka (2013).

¹¹ Acumen Fund (2011).

¹² Mae Fah Luang Foundation (2010).

¹³ <http://www.doitung.org/>

¹⁴ <http://www.brac.net/partnership?view=page>

¹⁵ <http://eastbalicashews.com/>

¹⁶ <http://www.bbc.com/news/business-29751792>

¹⁷ <https://rags2riches.ph/pages/about-us>

¹⁸ <http://www.globalenvision.org/2016/04/26/haute-couture-heart>

confidence. From 2011 to 2012, its artisan community grew from 300 to 800, alongside a 150% increase in revenues.¹⁹

- Mekong Quilts (a leading social enterprise) specializes in the production of high-quality, handcrafted quilts and accessories. This social enterprise trains and hires over 340 women in remote and rural regions of Viet Nam and Cambodia to produce the quilts, made from environmentally friendly materials.²⁰ Artisans are each paid \$100 a month, approximately double that of their previous earnings.²¹ Artisans also receive health insurance, wedding bonuses, baby bonuses, and bereavement benefits.²²
- Amul (an IB) is an Indian dairy cooperative with an annual turnover of \$3.4 billion. Amul is jointly owned by 3.2 million milk producers, and the cooperative supports 15 million milk producers across India.²³ Each farmer receives approximately 80% of the overall profits,²⁴ in comparison with 36% in the US.²⁵ Amul has provided women with a level of economic independence as they are in charge of 60%–80% of dairy-related activities. In 2008, 3.7 million women in India were part of the cooperative.²⁶
- Clinicas Del Azucar (an IB) is a Mexican chain of low-cost diabetes management clinics. It provides services at a lower cost of \$250 a year relative to private providers where services are charged at \$1,000 a year.²⁷ Although it is slightly more expensive than public care, which is \$200 a year, the service time is greatly reduced by 80%.²⁸ Clinicas Del Azucar has successfully increased access to diabetic care from 10% to 80% of the population. Their preventive packages and services prevent more than 60% of diabetes-related complications.²⁹ It is estimated that Clinicas Del Azucar has helped society and patients save more than \$2 million in medical costs.³⁰

II. THE LANDSCAPE OF SOCIAL ENTERPRISES

12. This section is based on a literature review of the social enterprise landscape in eight selected countries in Asia and two in Latin America (Figure 2). The following four key questions were analyzed:

- How many social enterprises operate in each country?
- Which sectors see the most social enterprise activity?
- How are social enterprises financed?
- What are the various regulations and policies that recognize and support social enterprises?

¹⁹<http://www.prnewswire.com/news-releases/rags2riches-focuses-on-its-mission-to-alleviate-poverty-among-philippine-artisans-with-netsuite-cloud-207518931.html>

²⁰Mekong Plus (2012).

²¹ <https://mekong-plus.com/FAQ/>

²² Footnote 19.

²³ <http://www.amul.com/m/about-us>

²⁴ Seas of Change (2015).

²⁵ <http://www.triplepundit.com/2012/10/amul-sustainability-india/>

²⁶ Footnote 23.

²⁷ <http://healthmarketinnovations.org/program/clinicas-del-az%C3%BAcar>

²⁸ <http://www.clinicasdelazucar.com/about-us-2/>

²⁹ <http://www.clinicasdelazucar.com/about-us-2/>

³⁰ Echoing Green (2014).

Figure 2. Countries Studied for Social Enterprise Landscape Mapping



Source: The authors/ consulting team

A. How many social enterprises operate in each country?

13. Estimates on the number of social enterprises in a given country vary significantly by source. Several organizations, such as the British Council, ADB, Boston Consulting Group, GIZ, and others have carried out field research to approximate the number of social enterprises in a given country. Given the lack of universal identification criteria, the classification filters applied vary significantly across studies. However, the following general trend can be observed:

- **It is estimated that social enterprises comprise less than 3% of total registered companies and/or organizations.** For example, of the 941,174 establishments in the Philippines,³¹ 30,000 are social enterprises.³² In Brazil, an estimated 20,000 social enterprises³³ form part of the 6 million registered companies.³⁴
- **The percentage of *leading social enterprises* (or potential IBs) is estimated to vary from 0.1% to 0.5% of the total number of social enterprises** (Table 3). In a study that screened close to 1,000 social enterprises, about 70 delivered social impact at some scale while aiming for financial sustainability. Furthermore, only a few of those 70 enterprises were truly profitable and operating at scale.³⁵ This implies that the percentage of category 4 social enterprises is much lower than 0.7%.
- **India, Thailand, and Indonesia seem to have the most number of *leading social enterprises* (or potential IBs), followed by Viet Nam, Brazil, Philippines, and Mexico.**³⁶ The high incidence can possibly be explained, among other factors, by a thriving social entrepreneurship culture in India, active government support in Thailand, and many social enterprise enablers (awareness builders, network builders, capacity builders, policy makers and others) in Indonesia.³⁷

³¹<http://www.dti.gov.ph/dti/index.php/resources/sme-resources/sme-statistics>

³²<http://www.adb.org/news/speeches/catalyzing-business-social-good-philippines>

³³http://ssir.org/articles/entry/journey_into_brazils_social_sector







³⁴<http://thebrazilbusiness.com/article/how-many-companies-are-there-in-brazil>

³⁵ Kayser and Budinich (2015).

³⁶ Estimates for Myanmar and Pakistan were unavailable.

³⁷ Boston Consulting Group (2015).

Table 3: Estimate on the Number of Social Enterprises by Category

Countries	Aspiring SEs	All categories
 India	~600 SEs (BCG, 2015) ~7500 SEs (GZ, 2014)	
 Indonesia	~450 (BCG, 2015) ~1400 aspiring SEs (BRITISH COUNCIL, 2015)	~200,000 SEs (ADB, 2013)
 Philippines	40 commercially viable SEs (ADB 2016)	~20,000 SEs (ADB, 2016) ~30,000 SEs (BRITISH COUNCIL, 2007)
 Thailand	~500 SEs (BCG, 2015)	116,298 SEs (TSEO, 2010)
 Viet Nam	200 SEs (BRITISH COUNCIL, 2012)	~165,000 potential SEs (Guardian, 2012)
 Brazil	~70 - 140 SEs and IBs (ANDE, 2014)	~20,000 potential SEs and Nonprofit (SSIR, 2012)
 Mexico	60-100 SEs, Guardian (2015)	

Note (Sources and acronyms): ADB = Asian Development Bank, ANDE: Aspen Network of Development Entrepreneurs, BCG = Boston Consulting Group, IBs = inclusive businesses, SEs = social enterprises, SSIR = Stanford Social Innovation Review, TSEO = Thai Social Enterprise Office.

B. Which sectors see the most social enterprise activity?

14. **Social enterprises operate across a range of sectors.** The distribution of social enterprises across sectors reflects not only the severity of the need within each sector, as expected, but also the overall entrepreneurial ecosystem. This report classifies different sectors on a qualitative scale, as explained in Table 4. Table 5 rates the different sectors in the selected countries based on the above scale. Table 5 also provides examples of social enterprises in that category along with a very short description.

Table 4: Qualitative Scale Used to Classify Sectors across Selected Countries

Color scheme	Description
High	Relatively high incidence of aspiring social enterprises were observed. Many SEs have proven financial sustainability, and are showing signs of being bankable. The sector is accessing capital from investors primarily in the range of \$200,000 to \$1 million.
Medium	Several social enterprises are operating in this space. However, the incidence of aspiring SEs is medium. The sector sees many post-pilot business models. Many ecosystem players are supporting SEs with investments usually less than \$200,000.
Low	A few social enterprises are operating in this space, and the incidence of aspiring SEs is low. There are very few players (capacity builders, investors, networks) operating in the sector. Isolated successful SEs may exist.
Blank	Signifies limited activity observed.

Source: The authors/ consulting team

Figure 3a: Distribution of Social Enterprises by Sector
















Sectors	 Agriculture, Food & Live stock	 Energy	 Retail	 Education & Vocational training	 Tourism
Countries					
 Cambodia	SAHAKREAS CEDAC Technologies to improve production, builds cooperatives, provides market linkages	NAGA BIOFUEL Refines used cooking oil in'to clean burning biodiesel	MEKONG QUILTS Handmade silk quilts, sewn by the rural poor to enable a sustainable income		ABOUT ASIA TRAVEL Funds education through luxury tourism
 India	JANANI AGRISERVE Customized solutions by exploiting latest in agri-sciences and ICT	GREENLIGHT PLANT Low power LED Lanterns	MELA ARTISANS Luxury lifestyle brand that combines traditional handcrafting techniques with contemporary design	VIENOVA Scalable and affordable K-12 education	REALITY TOURS Provides local experiences, and channels profits back to the community
 Indonesia	KAKAO A bean to bar premium quality chocolate producer	TINAMITRA MANDIRI Clean energy provider and alternative energy resources management	SILVERSMITHS' COLLECTIVE Collective of traditional silversmiths		KOTAGEDE CONSERVATION Heritage walks to empower communities
 Myanmar	PROXIMITY Multiple irrigation, advisory and other solutions	INDIGO ENERGY Micro-grids to provide basic lighting and more sophisticated solutions		YANGON BAKEHOUSE Creates job opportunities, skills development and fair wages for disadvantaged women	
 Pakistan	MICRO DRIP Affordable drip irrigation for farmers	SRE SOLUTIONS Solar energy for off-grid customers	POPINJAY Artisan made e-commerce label	AMAL ACADEMY Professional training to marginalized students	
 Philippines	SUGRUVI Organizes farmer cooperatives and convinces through demonstration farms	OREE Distributes, installs and maintains solar PV products	RAGS2RICHES Supports marginalized women to produce and sell stylish and eco-friendly products		ROUTE 63 Ecotourism travel company
 Thailand	HILLTRIBE ORGANICS Income improvement by contracting them to set up organic chicken farms		GO WENT GONE Redesign silk products for today's market	A-CHIEVE Career advise, knowledge and experience for high school students	LOCAL ALIKE Community based tourism platform
 Viet Nam	ECOLINK Promotes organic produce accreditation and sells organic tea and other produce		ZO PROJECT Reviving traditional Vietnamese paper	TOHE Provides visual art classes for disadvantaged children	BACKSTREET ACADEMY peer-to-peer impact travel platform
 Brazil	SEMENTES DE PAZ Access to organic food at fair and transparent prices		SOLIDARIUM Connects artisans with consumers and retailers from all over the world through a multichannel marketplace	PLATZI Online community and educational platform focusing on tech skills, including programming, design	
 Mexico	AIRES DEL CAMPO Specialist in organic and sustainable products in a fair trade scheme channel			ENNOVA Applies technological best practices to improve by creating systems, platforms and content	

Figure 3b: Distribution of Social Enterprises by Sector

Sectors				Countries
Health care	Financial services (non MFI)	Water and sanitation	Environment	
		HYDROLOGIC Cleaner water for more people by providing water filters		Cambodia
VAATSALYA Affordable primary and secondary care	VORTEX Low cost, solar powered ATMs for rural markets	WATERWALLA Sells and distributes point-of-use purification technologies	WASTE VENTURES Waste management for municipalities and citizens	India
			REAKTOR CACING Processing without sorting garbage	Indonesia
				Myanmar
SEHAT FIRST Self sustainable franchised telehealth centres		SAAFWATER Affordable clean water by using a simple chlorine capsule		Pakistan
AHCHP Alternative Health Care and Herbal Products	HAPINYOY Trains stores to provide financial services (among other activities) through mobile technologies	HIRAYA WATER Advanced water pressure management system to reduce leakage		Philippines
PENSOOK Chain of affordable primary health clinics, linked to retail stores			NEW HEAVEN REEF CONSERVATION PROGRAM Teaches students how to dive while restoring coral reef areas	Thailand
TRI DUC JOING COMPANY Provides high quality ambulance service			TIRTA MARTA Affordable degradable plastic solutions	Viet Nam
DR. CONSULTA High quality, low cost primary and minor secondary healthcare	KONKERO Online guide for personal finance	ECTAS Manufacturing of com equipment for treating sanitary and industrial sewage		Brazil
CLINICAS DEL AZUCAR Medical services to the BoP for the prevention and treatment of diabetes	MIMONI Online microloans, offering the unbanked greater access to financial products and services	AGUA NATURAL Thermo infused food grade water grid in new housing developments		Mexico

Note: This study relied on secondary research to gather information on the organizations listed.

Source: Noun Project for icons, and consulting team analyses for the all other information.

15. A significant proportion of the BOP population across developing markets works in agriculture; in Asia, there is a large number of social enterprise activities. Agriculture forms the bedrock of employment in these countries with 40%–46% of the workforce employed in this sector in South East and South Asia (as of 2013).³⁸ Given this, any effort to reduce poverty by social enterprises, has a high likelihood of engaging the agriculture sector. This is reflected in the high incidence of social enterprises that are (i) providing products and services across the agricultural value chain; (ii) enhancing information access (price discovery, advances in technology, etc.); and (iii) improving farm livelihoods by engaging in poultry, livestock, dairy, and other such activities.

16. However, social enterprise activity within the agricultural sector in Brazil and Mexico is very nascent. In Brazil specifically, this seems to be driven by three factors—(i) crowding out of private players by government spending, (ii) a lack of knowledge about successful business models, and (ii) absence of private players and/or supporters from the right sectors³⁹

17. The energy sector has attracted a large amount of investment from impact investors and other funders, and is particularly evolved in India. The clean energy sector in India is one of the most evolved in the developing world, and it has crossed the “tipping point.” This is now recognized as a sector in which financial returns and social impact can go hand in hand. The sector already has a number of deals by impact investors. For instance, approximately 25% of Acumen Fund’s portfolio in India consists of energy organizations.⁴⁰ The sector also has investment activity from mainstream venture capital funds such as Nexus Venture Partners, which invested in 2008 the amount of \$5.5 million in D.light (India), a company that produces solar lighting and power products. In 2014, D.light raised \$11 million from Nexus Venture Partners, and from other investors such as Acumen, Omidyar Network, Gray Ghost ventures, and Draper Fisher Jurvetson.⁴¹

18. Retail and tourism are also key sectors that witness high social enterprise activity in selected Southeast Asian countries.

- In the **retail** sector, social enterprises engage with the BOP by creating new or improved streams of income for their community of focus. Social enterprises provide two key inputs: they (i) identify, train, and support the disadvantaged and/or marginalized community to produce goods; and (ii) apply business, branding, and marketing skills to tailor the product offering to their consumer segments. For example, Rags2Riches (Philippines) trains marginalized women to produce rugs that are later converted into stylish and eco-friendly products and retailed through different distribution channels. This activity creates new income streams for these women. Similarly, The Batik Boutique (Indonesia) works with women from disadvantaged urban communities, training them to create homewares and fashion products from traditional local *batik*. This facilitates not only access to a sustainable income, but also helps to preserve a local custom. While there are some success stories like Rags2Riches, most handicraft-based organizations that were observed need to find a way to move beyond

³⁸ International Labour Organization (2014).

³⁹ Analysis of authors/ consulting team.

⁴⁰ <http://acumen.org/regions/india/>

⁴¹ <http://www.vccircle.com/news/cleantech/2014/03/05/dlight-secures-11m-series-c-round-existing-investors-dfj-omidyar-others>

“pity crafts” by developing high-quality products designed to meet the market need.⁴² Furthermore, total employment and income addition remains low.

- In the **tourism** sector, the predominant model employed is to offer local cultural experiences and channel profits generated in the process, to support the involved communities. This approach involves the low-income population and/or disadvantaged in the supply side (as suppliers or employees) and seeks revenues from the affluent middle–high income class or tourists. For example, Reality Tours (India) is a tourism social enterprise in India that provides tours and consultancy services to other tour operators internationally. Profits from these services are shared with Reality Tours’ sister organization, Reality Gives. Reality Gives provides educational programs in areas where Reality Tours give their tours.⁴³ Another example of a social enterprise in tourism is Ygarape Tour (Brazil). It is based in the central–west region of Brazil and reinvests its profits by breeding native and endangered species.⁴⁴

19. Social enterprises focus on different education elements in South Asia, Southeast Asia, and Latin America. Social enterprises in the education sector in South Asia, particularly India, have focused across core,⁴⁵ parallel⁴⁶ and ancillary⁴⁷ education solutions; business models in Southeast Asia have primarily focused on parallel services; and by using technological solutions to improve education outcomes in Brazil and Mexico.

- Social enterprises in India and South Asia work more broadly across the value chain—Eureka Schools (India), Pipal Tree Ventures (India), and Amal Academy (Pakistan) are examples of enterprises providing core, parallel, and ancillary solutions. Core education—or K-12 schooling—is primarily supported by the public sector in these countries. Social enterprises that have managed to work with the government are able to scale cost effectively. For example, Friends-International is a nonprofit social enterprise based in Cambodia, with operations in Asia and Africa. It works with marginalized children and at-risk youth, and provides them with education and training for employment. Friends-International has collaborated with several government agencies to implement social programs and such partnerships have enabled it to reach approximately 77,000 children and youth yearly across all of its markets of operation.⁴⁸
- Social enterprises across most of Southeast Asia primarily focus on parallel or “alternative education,”⁴⁹ which is vocational training and skill development. A common approach adopted by social enterprises is to train youth from marginalized communities in professional hospitality skills and transition them into the formal food and hospitality industry. Bagosphere (Philippines), Hagar International (Afghanistan, Cambodia, Myanmar, and Viet Nam), Oyor Thailand (Thailand), Yangon Bakehouse (Myanmar), and KOTO (Viet Nam) are all examples of social enterprises with a vocational training operational model.

⁴² Footnote 38.

⁴³ <http://realitytoursandtravel.com/why-reality.php>

⁴⁴ Brownsdon (2013).

⁴⁵ Core solutions refer to those that increase access or improve the quality of K-12 education, higher education, and post-graduation.

⁴⁶ Parallel solutions refer to preschool, after-school, test preparation, and skills development services. Organizations provide direct education, but do not confer a government-recognized degree and, hence, operate “parallel” to the core solutions.

⁴⁷ Ancillary solutions refer to content generation, teacher training, and others.

⁴⁸ Kordant Philanthropy Advisors (2014).

⁴⁹ British Council (2012).

- In Latin America, a number of social enterprises focus on providing technological solutions for improving learning outcomes. For example, QMágico (Brazil) focuses on providing technological educational content for students. It supports higher education institutions and K-12 schools by creating proprietary content. Simultaneously, it also has a free online platform for users to freely access. Similarly, Joy Street (Brazil) produces games to make learning fun.

20. **In the area of financial inclusion, there is barely any innovation beyond microfinance services in most countries, except in India and Brazil.** There is a move toward providing working capital loans for micro, small, and medium enterprises (MSMEs). In India, Capital Float (India) is one of the pioneering firms providing loans to MSMEs, leveraging transaction data and psychometric testing for their credit assessment; while Credit Mantri provides credit assessments and recommends specific loan products to consumers based on their Credit Information Bureau Limited or Equifax credit reports.⁵⁰ Kapitale (Brazil) bridges companies with receivables and investors with capital, providing cheap capital. Biva (Brazil) is a peer-to-peer loan platform. Most of these innovations, however, especially those focused on mobile technologies, are in their nascent stages and have not reached the level of scale that microfinance institution services have.

21. **Only modest social enterprise activities exist in health care, but the sector has great potential.** A key factor driving this is the tendency of governments to be heavily engaged in the sector, as health care access is seen to fall under the purview of a “public good” or an NGO domain. Thus, social enterprises can face a “crowding out” effect by government services, especially in less developed markets. In countries where the sector is relatively developed, such as in India and Brazil, the health care delivery segment—i.e., the infrastructure involved in diagnosis and treatment of patients—dominates the industry. Many social enterprises focus on employing technology to lower the cost of delivery. However, many such enterprises operate as a regular start-up and may not even recognize themselves as social enterprises.

22. **Social enterprises in the water and sanitation sector are nascent across all markets that were analyzed.** The predominant model employed by enterprises operating in water is the use of purification technologies either as a point-of-use or as a communal technology. Some enterprises offer both, such as *Waterlife* in India and *WateROAM* in Southeast Asia, while Hydrologic in Cambodia only offers point-of-use technology. In India, this sector is a predominant focus of the government. Impact investors say they are cautious about investing in this sector because of its highly capital-intensive nature. However, water and sanitation seems to be a popular sector for channeling corporate social responsibility (CSR) funds by corporations⁵¹ Very few social enterprises were observed operating in sanitation because it is hard to monetize products and services. One example is the World Toilet Organisation’s social enterprise, the SaniShop, which adopts a market-based approach to improve sanitation conditions in rural areas. Since 2009, SaniShop has built 12,000 household latrines and trained over 500 sales entrepreneurs in Cambodia and India.⁵²

23. **Business models on environmental issues have focused on recycling, waste management, and pollution.** For instance, Garbage Premium Insurance Clinic (Indonesia),⁵³ gives incentives to households that bring in everyday trash. In this innovative model, garbage is

⁵⁰ Footnote 39.

⁵¹ Footnote 39.

⁵² <http://worldtoilet.org/what-we-do/sanishop/>

⁵³ <http://www.eco-business.com/videos/indonesian-youth-wins-first-prince-wales-young-sustainability-entrepreneur-prize/>

monetized—to pay for insurance premiums—thereby reducing the hazards of unscientific waste disposal. Another example of sustainable waste management is from Fargreen (Viet Nam),⁵⁴ which is reversing the practice of rice straw waste disposal through burning by using rice straw to grow mushrooms. Recycling is another popular environmental issue, and is being increasingly addressed by social enterprises, such as Waste Ventures India. This enterprise employs informal door-to-door garbage collectors and works with municipal systems to compost trash and resell it as organic compost to farmers to improve agricultural yields.⁵⁵ On pollution management, Smart Air Filters (India)⁵⁶ is bringing pollution management to households through individual do-it-yourself air filters as a low-cost solution to indoor air pollution.

24. Social enterprise operation in the housing sector remains to be a challenge given its capital-intensive nature. The housing sector is complex because such ventures are capital-intensive, have long project cycles, and the sector is often highly regulated. This sector sees some activity from IBs that were once large traditional businesses, which decided to capture the BOP market. Enterprises forming partnerships—either with the government to address regulatory or financing concerns, or with other finance companies to provide consumers with affordable credit—tend to perform better.⁵⁷ For example, the Ansaar Management Company (Pakistan) collaborated with financial institutions to reduce mortgage payments and provide financing for the low-income population.⁵⁸ In the absence of partnerships, it is difficult to retain an explicit focus on housing for the BOP. Hence, given the capital intensity, there is a strong pull for both developers and financiers to move upmarket and focus on the middle or lower-middle income segments to remain viable. In Mexico, the housing market for low-income consumers has been a traditional area of philanthropy. However, a few enterprises have understood and developed financially viable business models. CEMEX's Patrimonio Hoy (Mexico) and Echale a tu Casa (Mexico) seem to have understood the consumer well and developed tailored solutions that align well with their needs as well as with the core business of the company.

C. How are social enterprises financed?

25. There are four primary ways by which social enterprises are financed—own capital, grants, equity or debt from investors, and profits from operations. A social enterprise by definition needs to operate in a financially sustainable manner. This implies that it should primarily be financed by the profits from its day-to-day operations and not be reliant on grants. However, only a few strive to have financially viable operations, hence, reliance on grants and the founder's own capital remains high. Figure 4 captures the extent of reliance on nonreturnable capital (grants and founder's own investment) by social enterprises in different countries.⁵⁹

26. The type of financing accessed by a social enterprise varies with the stage of the enterprise. Growing organizations are usually classified into four stages: (i) seed (conceptual stage), (ii) venture (pilot), (iii) growth (post-pilot), and (iv) at scale (stabilized operations). As a social enterprise progresses from one stage to the next, the financing requirements vary. For example, reliance on grants is very high at the seed stage and gradually reduces. This is primarily driven by the ability of the social enterprise to pay back the investor.

⁵⁴<http://www.fargreenvn.com/en/>

⁵⁵<http://nextbillion.net/waste-ventures-video-interview/>

⁵⁶<http://smartairfilters.com/in/faq/>

⁵⁷<http://nextbillion.net/catalyzing-low-cost-housing-with-patient-capital/>

⁵⁸<http://amcpakistan.org/2013/>

⁵⁹ This analysis was based on the literature review only.

27. This study now analyzes the reliance of social enterprises on grants by country.⁶⁰ Reliance on grants are ranked qualitatively as low, medium, high, and very high⁶¹ (see Figure 4 for the summary).

- **India: Medium.** Key sources of capital are noninstitutional debt, equity (mostly self-financed or early stage impact investment), institutional debt, and grants. It is estimated that 22%⁶² of all social enterprises are dependent on some form of self-financing or a grant (estimates range at 22%–60%⁶³). Debt contributes 56% of the funds for a social enterprise. Despite debt being a major source, most of it is noninstitutionalized because access to bank loans remains a challenge given the risk profile and lack of collateral. Equity (22%) completes the rest of the spectrum, and this is provided mainly by early stage impact investors.
- **Pakistan: High.** In Pakistan, there is a strong culture of aid among organizations working in the social sector. Hence, it is not surprising to find that most social enterprises are not accessing returnable capital (debt and/or equity) when they reach the growth stage.⁶⁴ Philanthropy (private giving) from foreign sources contributes 6.5% to the revenue structure of social organizations, and 37% from indigenous sources (often as a religious obligation, i.e., zakat).⁶⁵ The balance is made up of fees and charges levied for products and/or services.⁶⁶
- **Myanmar: Very high.** Myanmar has a vibrant domestic and foreign donor community. There is a general impression that serving the low-income population cannot and should not be profitable. Hence, several organizations working in the field do not even consider revenue-generating activities. As in many developing countries, bank financing remains a challenge. Enterprise lending is further complicated by regulations and the banks' capacity to lend.⁶⁷ Hence, the majority of organizations working in the social sector are reliant on grant capital.
- **Indonesia: High.** Of all social enterprises in Indonesia, 67% are in the seed to venture stage. These are characterized by negative or close to zero margins and are financed primarily by in-kind seed funding (at the seed stage), or grant funding (at the venture stage). Equity and debt financing is only available to organizations in the growth or the mature stage with demonstrated potential and positive margins.⁶⁸
- **Viet Nam: Medium.** The asset structure of social enterprises was segmented into four categories—shareholder's capital, funding, profit, and others. Of the social enterprises analyzed, the contribution by profits was 45.5% (shareholder's capital was 20%, funding at 5.5%, and others at 29%).⁶⁹
- **Cambodia: Very high.** A number of social enterprises were initiated by NGOs, which seek to augment their finances by seeking revenues. Hence, it is fairly common that a social enterprise is initiated with philanthropic funding. In these cases, the entrepreneur does not commit personal finances either. According to one study, approximately 60% of social

⁶⁰ Information on Thailand and the Philippines was not available (publicly), to the best of our knowledge.

⁶¹ This includes all forms of capital that are nonreturnable.

⁶² ADB (2012).

⁶³ Intelicap (2012). Only the data for the first 2 years of operations was considered here.

⁶⁴ ODI (2015).

⁶⁵ Social organizations include all forms of nonprofit entities (such as trusts and community organizations), and for profit enterprises (such as social enterprises) that aim to deliver social benefits

⁶⁶ ADB (2013).

⁶⁷ British Council (2013).

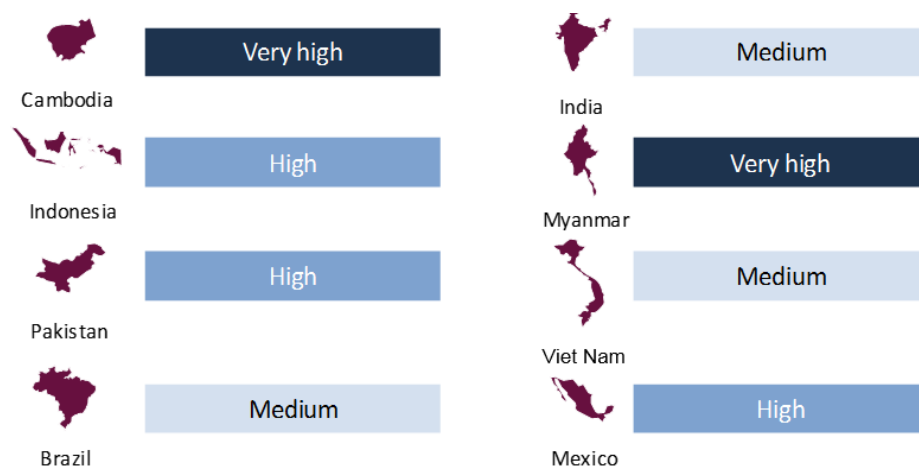
⁶⁸ Footnote 36.

⁶⁹ British Council, CSIP & Spark (2011).

enterprises in Cambodia earn less than 50% of their total revenue through earned income. A significant majority is also dependent on grants and donations.⁷⁰

- **Brazil: Medium.** In a survey on financial self-sufficiency of social and/or inclusive businesses, 64% of those surveyed reported operating as conventional businesses, and not relying on donations. The rest (36%) reported being dependent partially on donations (<90%), but also mentioned their intent to reduce and completely remove their dependence on grants.⁷¹
- **Mexico: High.** Grants and donations constitute a significant source of financing for social enterprises in Mexico. A study observed that 66% of the surveyed organizations receive financing from these sources. Reliance varies significantly by organization type, with nonprofits being the most dependent, followed by hybrid structures (nonprofit and for-profit). Convertible debts are the least prominent financial product for social enterprises regardless of organizational form. In Mexico, the public sector (governments and state banks) also plays as a dominant source of capital, and was ranked as the second most important source of capital by social entrepreneurs.⁷²

Figure 4: Reliance of Social Enterprises on Grants, by Country



D. What regulations and policies recognize and support social enterprises?

28. Social enterprises are not legally recognized in most countries studied for this report. Social enterprises have unique needs given their twin focus on impact and financial viability. In most countries studied for this report, separate legal structures that meet the needs of social enterprises do not exist. For example, there is no legal structure that allows one to take a grant, give an exemption, and generate as much money as possible, although there are many social ventures that operate as hybrid organizations in these countries— both as nonprofit and social enterprise entities. Under The Mango Tree (India) is an example of a social enterprise that operates in this fashion. Its Under The Mango Tree Naturals and Organics Private Limited operates as a for-profit business, while its UTMT Society operates as a nonprofit entity. Revenue generation through the sale of honey and raising capital from investors such as EdelGives Foundation is carried out by the for-profit entity. On the other hand, UTMT Society trains and

⁷⁰ Lyne et al. (2015).

⁷¹ AVINA Foundation, Potencia Ventures, ANDE & CDE (no date).

⁷² Hansley et al. (2015).

equips smallholder farmers with technical skills, and engages in research and advocacy to improve the sustainability of the beekeeping industry.⁷³

29. In this report, only Viet Nam and Thailand have a legal definition for a social enterprise.

- In **Viet Nam**, social enterprises were granted a legal status under the revised Law on Enterprises (2014). The revised law defines a social enterprise as “a business whose main aim is to address a social or environmental issue and which re-invests a minimum of 51% of its annual profits towards its social or environmental mission.”⁷⁴ The law also mandates special treatment in the granting of licenses and certificates; and authorizes social enterprises to obtain funding, sponsorship, and investment from Vietnamese and foreign individuals, enterprises, and NGOs. The next stage of implementation is in progress and is yet too early to assess the impact of the legal recognition on the overall social enterprise ecosystem in the country.
- **Thailand** is a pioneering nation in the development of social enterprises. The amendment of Thailand’s Constitution in 1997 strongly encouraged the participation of civil society and the promotion of social initiatives (social innovation). The Regulation for National Promotion of Social Enterprises provides the definition of a social enterprise as a business that has the explicit purpose of “addressing problems and developing a community, society, or environment, and generating revenue by selling goods or providing services not with the primary object of maximizing profit for its shareholders or owners”.⁷⁵ The Cabinet also approved in March 2016 the finance ministry’s tax measures and related bill to support social enterprises. As per the provisions, “social enterprises would be completely exempt from corporate tax if they allocated at least 70 per cent of their net profit to social work. The companies investing in shares of these social enterprises can deduct the cost in full from their corporate income tax. Those providing financial support to social enterprises can also deduct the cost.”⁷⁶

30. India and the Philippines are at their early stages of approving legislation on the legal recognition and support for social enterprises.

- In the **Philippines**, two bills have been proposed—the Poverty Reduction through Social Enterprise (PRESENT) bill and the Social Value Bill. The PRESENT bill defines a social enterprise as “social mission-driven organization that conducts economic activities providing goods and services directly related to their mission of improving the well-being of the poor... A social enterprise engages and invests in the poor to become effective workers, suppliers, clients, and/or owners and ensures that a substantive part of the wealth created by the enterprise is distributed to or benefits them.”⁷⁷ It provides guidelines for improving access to finance, offers tax incentives, and mandates government procurement. The Social Value Bill is another regulation that mandates social value, along the lines of the UK Social Value bill.
- In **India**, a draft Enterprise Policy, formulated by the Ministry of Skills Development and Entrepreneurship, provides a brief definition of social enterprise and sets out forms of support for it, which includes higher education courses, fiscal incentives for social investment,

⁷³ <http://utmt.in/our-story/>

⁷⁴ <http://www.theguardian.com/british-council-partner-zone/2014/dec/16/approved-social-enterprise-receives-legal-status-in-vietnam>

⁷⁵ MaGIC Social Entrepreneurship (2015).

⁷⁶ <http://www.nationmultimedia.com/business/Cabinet-approves-social-enterprise-bill-30281682.html>

⁷⁷ British Council (2015).

incubation, grassroots technology hubs, and engagement on innovation with existing entities such as the National Innovation Foundation.⁷⁸

31. **Without a clear legal form in most countries, and given the administrative and bureaucratic hassles of formal registration, many social enterprises opt not to register legally.** When they choose to register, the choice of a legal form is based on the ease of administrative processes rather than the alignment with the definition. Social enterprises continue to operate under multiple legal forms—as corporations, nonprofit entities, corporations, community groups, and others. For example, in India, while nonprofit status provides eligibility for tax benefits and foreign donations, a recent study⁷⁹ found that 80% of social enterprises polled, had in fact registered themselves as for-profit private limited companies—where the core benefit is the ability to raise funds through venture capitals and public offerings. Meanwhile, the majority of social enterprises in Cambodia (and many other countries in Asia⁸⁰) are registered as NGOs or as associations with Cambodia’s Interior Ministry.⁸¹ This exempts them from paying taxes (value-added tax and revenue tax), which lowers their price of products by 11%.⁸²

32. **In an environment that lacks systematic identification and support but persisting interest in social enterprises, a few outstanding stories gain ground based on anecdotal evidence.** This may lead to an overcrowding of interest among the few that are repeatedly profiled. As a result, faith in social enterprises as a viable mechanism for sustainable impact either rises or dwindles in a disproportionate manner with their success or failure. Meanwhile, a lot of other social enterprises may be silently working on different (and potentially more or less robust models). This situation inhibits gauging the relevance of social enterprises in the overall picture. The only way to overcome this is to have an accreditation system that is able to classify organizations objectively as social enterprises, and to conduct regular surveys.

III. CHALLENGES TO ACHIEVING SCALE

33. Social enterprises face several challenges in their day-to-day operations. In this report, the challenges that these enterprises face are discussed when they seek to achieve scale.

34. **Lack of investment readiness and funding gaps make securing financing challenging for social enterprises.**

- **Investment readiness.** Only a few social enterprises are clearly able to articulate the purpose, amount, and timeline of the investment (even among category 4 social enterprises). This could signal the lack of understanding and preparedness for receiving financial investments. Impact investors also expressed this view. One of the leading impact investors in India noted that the “...challenge (in impact investing) is that companies (social enterprises) don’t know when to raise money and how much or how much time will this funding take.” Furthermore, experienced investors in this domain believe that “a major restructuring of the social business is often a precondition to make it investable.”⁸³

⁷⁸ British Council & ODI (2015).

⁷⁹ GIZ (2014).

⁸⁰ IIX (2009).

⁸¹ ICSEM (2015).

⁸² Pour un Sourire d’Enfant (2013).

⁸³ Kayser and Budinich (2015).

- **Funding gaps.** Social enterprises face challenges when gaining access to investors and funding across various stages of their growth. It is widely agreed that this problem is greater at the early stage of inception (for those requiring seed financing of less than \$200,000); while those seeking larger amounts (\$200,000–\$1 million) also experience difficulties at their next stage of growth. However, funding access is linked to the country of operation of the social enterprise. For example, while there are a number of impact investors present in India who are willing to invest \$100,000–\$1 million, this is not the case in countries with a nascent ecosystem.

35. **Inadequate compensation and poor or no branding limits the ability of social enterprises to recruit talented individuals and build a strong second line of leaders.** Very few social entrepreneurs possess the skills to scale up their organizations and often need a strong second line of leadership. The social entrepreneur needs then to institutionalize the management processes so that the quality of work can be maintained without direct control.⁸⁴ This requires accessing talents that could face up to the challenges in a social enterprise, as follows:

- **Inadequate compensation.** The general tendency of social enterprises to be less profitable than a standard business leads to their inability to attract quality, professional talents.⁸⁵ A report found that out of 20 UK-based social entrepreneurs (founders and/or senior leaders) surveyed, the average pay was only about \$16,000 (£11,000) compared to standard UK average wages of \$38,000 (£26,000). Five out of the 20 persons interviewed stated that they did not earn a wage at all, while the highest pay packet peaked at \$82,000 (£56,000) “for running an outfit which turns over several million a year.”⁸⁶ The lack of talent can severely impede the ability to effectively operate and, hence, scale up. Given the low compensation, social enterprises are only able to access a talent pool that is less trained than what is required. Training can be expensive, and in many instances, social enterprises are unable to provide adequate skills training opportunities to their employees due to their inherent lower profitability.
- **Poor branding.** Secondary to the issue of compensation is the challenge of being able to effectively build a professional brand to attract talent, and then expand recruitment to reach a wider pool. Unlike private sector organizations, social enterprises cannot effectively leverage a range of channels, such as professional networking, recruitment agencies, and search consultants to attract strong talent.⁸⁷

36. **Recruitment problem is further intensified by issues of retention, once quality talent has been hired.** After the hiring process, retention is complicated by the limited ability of social enterprises to define roles and responsibilities, and distribute decision-making authority beyond the founding team.⁸⁸ The path to professional development, through skills training and other support resources, is also limited. Combined with a general lack of structured processes, this contributes to a frustrating and restricted professional experience for lateral hires that often leave at the middle management level—accentuating the “missing middle.” What results, is the presence of an hourglass situation—with a large base of young and often inexperienced workers, and a heavy layer of executive employees. The absence of middle management results in strains

⁸⁴ Footnote 83..

⁸⁵ Villgro (no date).

⁸⁶ <http://onpurpose.uk.com/rewarding-careers-should-pay-in-the-social-enterprise-sector-be-equivalent-to-that-in-commercial-firms/>

⁸⁷ <http://www.theguardian.com/social-enterprise-network/2011/feb/11/social-enterprise-recruitment-practises-honing>

⁸⁸ Intellect (2012).

on the abilities of younger and senior-level staff alike, making it increasingly difficult for social enterprises to approach scale.⁸⁹ These retention issues affirm the existing image problems in attracting professional talent and providing growth opportunities, which then feeds directly back into the recruitment challenge.⁹⁰ The lack of quality talent not only inhibits social enterprises from achieving scale, but also affects the ability of being “investment ready,” as identified in the previous section.

37. Impact measurement continues to be a contentious topic for investors and social enterprises alike. There is a wide range of impact definitions in the sector, and an even more extensive spectrum of measurement metrics. This affects not only a social enterprise’s ability to manage and evaluate its own operations for effectiveness; but also complicates its understanding of how to become “investment ready” and attract capital for growth. This creates challenges on both sides—in the ability of social enterprises to actively manage risk perceptions and communicate their holistic value, and in the ability of investors to understand fully the same. Search and due diligence costs also increase because of the lack of comparability that this situation creates. With the challenges from the lack of standard impact measurement approach, there is low interest and even lower activity for harmonizing impact measurement.

38. Social enterprises often lack data and information on the low-income population. These consumer segments are not as well understood or as documented as for instance, the mainstream middle-income to high-income consumer segment. Furthermore, most social entrepreneurs do not come from the low-income population and need substantial time to immerse themselves into the lives of the low-income population. Thus, social enterprises are required to invest a large amount of resources upfront toward deeply understanding the lifestyle, behaviors, and preferences of their niche target segment. In many cases, this may begin with activities as basic as data collection to establish an initial foundation of understanding of whom they are serving. This is often expensive and most social enterprises do not have the resources (both financial and workforce) to invest in these activities.

39. Social enterprises, although they often operate in the informal economy, also face challenges in government regulations and the bureaucracy. These can be broadly classified into the following:

- **Lack of a separate legal form.** Social enterprises do not have a separate and unique legal form in most developing countries. This has resulted in social enterprises existing across a range of different forms, thus, increasing the difficulty for investors to locate them, and potentially detracting investment into the sector.
- **Social enterprises are exposed to high levels of bureaucracy.** Government policies and institutional frameworks that enable ease of registration, everyday business processes and expansion, can make the life-cycle process of seed-to-scale smoother for social enterprises. Apart from limiting bureaucracy from standing in the way of business growth, proactive policies to promote innovation and social enterprise can actually foster the process of scale-up. These policies may be in the form of establishing a “social impact-specific” legal structure for organizations—such as the Benefit Corporation structure in the United States. Or it can be through initiatives that actively promote social innovation in a country, such as the “StartupIndia” program of the Government of India in which a 1-day mobile phone registration process for new social enterprises was introduced.⁹¹

⁸⁹ Footnote 85.

⁹⁰ Indian Institute of Management Bangalore (2011).

⁹¹ <http://www.thehindu.com/business/live-modi-at-startupindia-campaign/article8114255.ece>

40. **The specific problem that social enterprises are attempting to address is often intrinsically linked with other failures across the value chain.** Hence, solving challenges just for one problem is often not a sustainable solution. For instance, social enterprises that work in the agriculture value chain may also realize that they must address issues on access to finance, information and communication technology, and logistics in order to address effectively their focus area. In such a scenario, partnerships among social enterprises across sectors and focus areas become critical.

IV. THE ROLE OF DEVELOPMENT BANKS IN SUPPORTING SOCIAL ENTERPRISES

A. Development banks lack support to social enterprises

41. **Development banks' investments focus on infrastructure, policy loans, and increasingly on inclusive businesses (IBs) only.** Such banks collectively deploy large amounts of capital every year in sovereign and nonsovereign investments. For example, ADB had \$13 billion project approvals in 2014, comprising \$11 billion for sovereign investments and \$2 billion for nonsovereign loans and equity. Of the nonsovereign investments, \$0.2 billion was invested in IB opportunities. However, development banks tend to not invest in social enterprises. This primarily stems from the perceived lack of ability to generate returns. It is commonly believed that social enterprises are not bankable and are too small to be an investment venture that can generate returns. This is especially true for the multilateral banks.

42. **However, there are a few exceptions among the bilateral development banks.**

- The Department for International Development of the United Kingdom (DFID) has deployed over \$1.4 billion (£1 billion) in challenge funds so far.⁹² One of its biggest challenge funds is the Girls Education Challenge Fund, which finances innovations in education in over 22 countries and aims to enable 600,000 marginalized girls to complete a full 6-year of primary school or for 1 million marginalized girls to complete 3 years of secondary school. The projected impact of DFID's funds is a 25% increase in students acquiring pass and/or standard at the required level across all funded programs.⁹³ Similarly, the Financial Education Fund run by DFID is known for funding high-impact programs such as the Opportunity International, which reaches over 100,000 people in four countries.⁹⁴
- KfW has invested a total of \$15.5 million (\$10 million in 2015⁹⁵ and \$5.5 million in 2011⁹⁶) in the \$94 million Aavishkaar fund, a venture capital fund that targets social enterprises combining social impact and commercial viability in India, Indonesia, Pakistan, and Sri Lanka.⁹⁷ KfW also provided a \$2.7 million (€2.4 million) technical assistance grant to the project. Aavishkaar has demonstrated considerable impact with over 44 investees, 17 million beneficiaries of which about half are women, and have created over 30,000 jobs till 2014.⁹⁸
- The Agence Française de Développement (AfD) has invested \$8 million in the \$50 million Essential Capital Consortium, a social impact fund created by the Deutsche Bank, in

⁹² Pompia (2013).

⁹³ Smith et al. (2013).

⁹⁴ <http://www.cgap.org/blog/challenge-funds-incentivize-innovation>

⁹⁵ <https://www.kfw.de/KfW-Group/Newsroom/Press-Material/Themen-kompakt/ADB-Jahrestagung/>

⁹⁶ https://www.kfw.de/KfW-Group/Newsroom/Aktuelles/Pressemitteilungen/Pressemitteilungen-Details_282176.html

⁹⁷ <http://www.livemint.com/Companies/FCchE9bDB39lHXvgKpslNP/Aavishkaar-raises-94-million-from-KfW-and-others.html>

⁹⁸ <http://www.aavishkaar.in/images/download/publications/AFF%20General%20Release.pdf>

2015.⁹⁹ The fund provides loans to social enterprises working in developing and emerging countries in the energy, health, and financial service sectors; and providing goods and services that improve the lives of the low-income population. AfD has also set up a special Social Business window through which it has invested in eight projects. It uses equity and risk-sharing guarantees as the primary instruments. Furthermore, AfD is willing to accept loss coverage on its investments.

- The Development Marketplace is a competitive grants program supported by the World Bank Group, which identifies, supports, and promotes innovative social enterprises that effectively deliver services to the low-income population. Since its inception in 1998, the Development Marketplace has supported more than 1,200 social enterprises, and awarded more than \$65 million in grants identified through country, regional, and global competitions. In 2013, the India Development Marketplace initiative gave grants to 20 social enterprises for a total value of \$2 million for development activities in the north and eastern states of India.¹⁰⁰
- Started in 1982, the Inter-American Development Bank's (IADB) Social Entrepreneurship Programme (SEP), and its predecessor, the Small Projects Program, has supported 520 partners across 700 projects; impacting over 860,000 rural micro entrepreneurs, smallholder producers, and low-income individuals by deploying \$400 million in loans, grants, and technical assistance.¹⁰¹ The SEP is housed under the Multilateral Investment Fund (MIF) of IADB and has similar focus areas to the MIF—finance and rural business, and provision of basic services. Since its inception in 2007, 89% of SEP investments has gone to C and D countries, countries with relative lower levels of development based on its A to D classification.¹⁰²

43. Furthermore, only negligible knowledge work is being carried out by development banks in this area. For example, the MIF of the IADB has only five studies on social enterprises, out of the 138 reports published on its website.¹⁰³ Also, three of MIF's reports are from the "Development Effectiveness" series, which is the equivalent of their annual reports. Similarly, the International Finance Corporation (IFC) has only 11 reports and/or studies on topics related to social enterprises out of 501 reports¹⁰⁴ published in its website. All the 11 reports and/or studies are not directly focused on the social enterprise landscape but on access to finance for small and medium-sized enterprises.

44. Development banks are inactive in policy support and advocacy in the social enterprise sector. Development banks enjoy a close working relationship with governments. Often, they leverage this relationship to drive policy changes. For example, the World Bank's Competitive Industries practice was set up to support client countries in developing public policies that promote competitiveness across its industries. In Bangladesh, IFC helped set up eight Bangladesh Export Processing Zones resulting in more than 262,000 jobs created, and

⁹⁹ Agence Française de Développement (2014).

¹⁰⁰ <http://www.worldbank.org/en/news/press-release/2013/05/01/world-bank-group-awards-two-million-dollars-to-social-enterprises-in-the-states-of-madhya-pradesh-chhattisgarh-jharkhand>

¹⁰¹ <http://www.fomin.org/en-us/Home/Projects/Financing/SocialEntrepreneurshipProgram.aspx>

¹⁰² Multilateral Investment Fund (2015).

¹⁰³ As of May 2016, five out of 138 publications in the MIF's publications platform is categorized under "Social Entrepreneurship and Innovation."

¹⁰⁴ As of May 2016, 11 out of 501 publications on IFC's public resource platform is categorized under "Micro, Small and Medium Enterprises (SMEs)."

attracting \$1.8 billion in investment.¹⁰⁵ However, no development bank has structurally instituted the agenda of social enterprises in their policy work so far. ADB, however, provided support to the Government of the Philippines to prepare the social enterprise accreditation system (as part of its wider IB accreditation system). Further details can be found in Annex 7.2.

45. The British Council leads policy advocacy work in the social enterprise sector. The British Council is a UK-based organization governed by the Royal Charter and is partly sponsored by the Foreign and Commonwealth Office (UK). It promotes the development of “social enterprises and social investment” based on the experience of UK in setting up its own social enterprise ecosystem. The British Council program operates in 24 countries and conducts research; organizes policy dialogues and public awareness activities; and supports social entrepreneurs through training, mentorship, consultation, networking, and others. It claims to have trained over 15,900 social entrepreneurs and have 1.5 billion media mentions.¹⁰⁶ It works very closely with Thai Social Enterprise Office (TSEO).¹⁰⁷ It has also been instrumental in driving the social enterprise policy in Viet Nam, which recently passed a social enterprise legislation.¹⁰⁸ Similarly, it has been active in policy advocacy in India, Myanmar, and the Philippines.

B. Why development banks should support social enterprises

46. Social enterprises need development banks. Many challenges that social enterprises face in their pursuit to achieve scale include, among others, the lack of appropriate financing and the need for technical assistance and sector expertise. This is at the level of an individual social enterprise. At the broader sector level, the challenges include policy advocacy, impact assessment frameworks, and others. Hence, development banks can support social enterprises by

- **Fulfilling the need of financing beyond grants.** *Leading social enterprises* (potential IBs) have financing needs beyond grants. Most of these social enterprises also need technical assistance and access to a network of experts for improving their business and impact models. Although the investment sizes required are very small from a development bank’s perspective and the requirement of technical assistance is very high, development banks can explore partnerships (among themselves and with other ecosystem players) to devise new, innovative ways to overcome these challenges.
- **Building the social enterprise ecosystem.** The ecosystem for supporting social enterprises is very nascent in most countries studied in this report (with the exception of Thailand and India). Most countries lack a system to classify and identify social enterprises from other “social businesses” and NGOs. There is little awareness of the concept of social enterprises within the government and business circles. Also, there is a lack of clear impact measurement standards. It is in this area that the role of development banks becomes more vital than just supporting individual social enterprises. A supportive ecosystem can incentivize other entrepreneurs to set up their own social enterprises, thus, triggering a long-term change.

¹⁰⁵ <http://www.worldbank.org/en/results/2013/04/03/developing-competitiveness-increasing-productivity-creating-jobs-and-reducing-inequality>

¹⁰⁶ www.britishcouncil.org

¹⁰⁷ <https://www.britishcouncil.org/society/social-enterprise/success-stories/uk-study-tours-inspired-social-innovation-thailand>

¹⁰⁸ <http://www.theguardian.com/british-council-partner-zone/2014/dec/16/approved-social-enterprise-receives-legal-status-in-vietnam>

47. **Development banks need social enterprises.** Development banks are increasingly looking at investments in IBs because of the twin benefits of creating direct impact and providing high return.¹⁰⁹ However, most of them face issues related to deal sourcing and building an investment pipeline. Hence, development banks need to support social enterprises in order to

- **Build a pipeline of IB deals.** Development banks can nurture *leading social enterprises* (potential IBs) to be the IBs of the future, as these social enterprises have all the right features—scale of impact, profitability, and bankability. For example, Kingo, a company that sells prepaid solar energy to the low-income population in Latin America, was given a grant by the IADB in 2012.¹¹⁰ The company has scaled up its operations in Guatemala and achieved 1,300% growth in 2015. Now, it aims to reach 530,000 customers by 2020. The company expects to break even in 2017 and is now looking for a \$24 million investment in debt and \$19 million investment in equity.¹¹¹
- **Further their mission of reducing poverty.** Social enterprises often work directly with the low-income population to devise a solution to their problems. Some social enterprises are able to reach a large population, creating systemic change in the lives of the low-income population. Hence, supporting social enterprises aligns well with their mission of poverty reduction in the developing world.
- **Make themselves relevant in a discussion that is fast gaining traction.** There is a growing interest in the concept of social enterprises as a sustainable means of creating impact in the youth, the private sector, and in governments. In a survey that covered over 2,000 innovative entrepreneurs, 36% wanted to make a positive contribution to the wider community while 22% wanted to create social change.¹¹² Corporations have also supported the development of the social enterprise ecosystem by providing funding and advisory services. Companies such as Development Bank of Singapore have funded 100 social enterprises in Singapore using its S\$50 million fund.¹¹³ Similarly, American Express has collaborated with Ashoka Changemakers to mentor social innovators through the Serve2Gether Consulting Social Innovators program.¹¹⁴ Governments of many developing countries are increasingly becoming interested in creating programs for social enterprises.

C. Ways to financially support social enterprises

48. **Theoretically, a development bank can take three approaches to finance a social enterprise.** These ways are the results of a combination of the following two elements:

- **Type of engagement.** Development banks can financially engage with social enterprises at two levels: (i) directly with the social enterprises, and (ii) indirectly through an intermediary.
- **Channel of capital disbursement.** Development banks can channel financial support to social enterprises through (i) the public sector, i.e., through national and state governments; or (ii) the private sector.

¹⁰⁹ ADB (2016).

¹¹⁰ <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=39943902>

¹¹¹ Kingo company presentation

¹¹² Ernst & Young (2015).

¹¹³ <https://www.dbs.com/dbsfoundation/about-us/default.page>

¹¹⁴ <http://www.forbes.com/sites/ashoka/2014/01/13/5843/#2459e234226f>

Figure 5: Three Approaches to Supporting Social Enterprises

Type of engagement	Indirect through an intermediary	FUND OF FUND	POLICY LOANS
		<ul style="list-style-type: none">- Investments are made to a fund that invests in private social enterprises or businesses.- Investment can be in the form of loan or equity investments.- Returns are contingent on the portfolio's performance. <p>Example: KfW's investment in the Aavishkaar Fund</p>	<ul style="list-style-type: none">- Investments are made as part of a policy loan to the state or the national government.- Investment is in the form of a loan.- Returns are contingent on the overall economy and the government's performance balance of payments.
	Direct to SE	DIRECT INVESTMENTS	INFEASIBLE
		<ul style="list-style-type: none">- Investments are made directly to social enterprises.- Investment can be in the form of loan and/or equity.- Returns are contingent on the performance of the investee company.	<ul style="list-style-type: none">- An investment can be routed directly to a social enterprise or through the government. However, it can be infeasible to do both simultaneously.
		Private Sector	Public Sector
Channel of capital disbursement			

Source: The authors/ consulting team

49. **There are four criteria to evaluate these three approaches.** These three approaches can be evaluated with the following four criteria:

- **Transaction cost.** Transaction cost is the capital invested in sourcing, due-diligence, and closing an investment deal. This is usually a fixed cost for the development bank and does not vary with the size of the potential investment.
- **Potential rate of return.** Rate of return is the ability of an investee to not only return the capital invested but to return it with a modest profit. This is especially important for multilateral development banks, which need to maintain their AAA ratings and do not have access to grant capital.
- **Risk.** Risk is the chance that the actual return is different from the expected return. This could be due to the volatility of performance of individual investments or due to larger macroeconomic and political conditions.
- **Ecosystem benefits.** Investments by development banks can spur broader ecosystem benefits, such as generate interest of other investors, set up favorable policies, and others.

Table 6: Comparative Evaluation of the Ways to Financially Support Social Enterprises

	Policy Loans	Fund of fund	Direct Investments
Transaction cost	Medium	Medium	High
Potential rate of return	Meets expectation	Low to medium	Low to medium
Risk	- Low portfolio risk - Political/corruption risk	Low portfolio risk	High portfolio risk
Ecosystem benefits	High	Medium	Low
Overall feasibility	High	Medium	Low

Source: The authors/ consulting team

50. **“Policy loans” for a social enterprise program is most suited for development banks.** This implies that the development bank can support a government to set up a social enterprise fund by issuing a loan. Fund disbursement is the responsibility of the government while setting up the rules and processes is usually done jointly by the development bank and the government. For example, a state government of Pakistan is negotiating with ADB for a fund where ADB provides a loan to the government, designs an accreditation and classification system, and identifies an intermediary to disburse the capital. This is the most appropriate approach for the following reasons:

- A government-appointed organization deals with sourcing and execution. The organization can be chosen in such a way that it has lower overhead costs by way of leaner but effective systems, as compared to development banks. This keeps the transaction cost at medium range.
- The rate of return meets the expectations of the development bank, as the government is the guarantor of the loans.
- Although the diversified portfolio lowers risk, there is a substantial political and/or corruption risk.
- A policy loan can drive broader ecosystem benefits, such as accreditation of social enterprises, harmonization of impact assessment, and other policy support. These benefits are much more important than focusing on the growth of an individual enterprise.

51. **Fund of fund approach, i.e., a private sector investment in a social enterprise fund, is also suitable.** In this approach, a development bank invests through a fund, usually an impact-investing fund. KfW’s investment in the Aavishkaar fund (see section 4.1, p. 30) is an example.

- Transaction cost remains at medium range (as in the policy loan approach) because of the presence of an intermediary (usually an impact investor) to source and execute deals.

- A Global Impact Investing Network (GIIN) survey of over 300 impact investors suggested that impact investors target a market rate of return.¹¹⁵ However, it is vital to pick the best-performing funds and/or fund managers to achieve this rate of return.
- The risk is diversified because of a portfolio of investments.
- An investment in an impact fund can generate the necessary “buzz” and awareness for the social enterprise sector.

52. A (nonsovereign) direct investment in social enterprises is the least feasible for development banks. Under this approach, the development bank invests directly in a social enterprise as it would for any other nonsovereign deal.

- Traditionally, development banks invest in large projects and need to “step down” to support social enterprises. Considering the very small size of the deal, the transaction cost as a percentage of the deal size is very high for a development bank.¹¹⁶ Hence, development banks will need to change their processes substantially to suit the needs of this sector, and to make such direct investments feasible.
- The potential rate of return is contingent on the performance of the specific social enterprise, which is expected to be low to medium given the ability to generate the required rate of return.
- This is a high-risk approach, given that there is very little or no diversification.
- Broader ecosystem benefits are limited to awareness and “buzz” around the investee.

D. Suggested nonfinancial support for social enterprises

53. Harmonize impact metrics. Development banks should move the sector toward strategic impact measurement, while working along with impact investors, incubators, and accelerators. Development banks have the necessary influence and experience from their IB investments. Development banks can leverage the latter to determine the right metrics and standards of impact for social enterprises.

54. Drive the accreditation of social enterprises. Accreditation is the first step in designing and implementing any social enterprise support program. Development banks should use their relationship with governments, and their influence with business associations to codevelop and mainstream accreditation systems for social enterprises. ADB’s social enterprise accreditation system (as part of its broader IB accreditation system) is an example.

55. Increase networking opportunities. Development banks regularly convene conferences and roundtable discussions, which bring together multiple stakeholders, entrepreneurs, and sector experts. For example, the 2nd Inclusive Business Asia Forum organized by ADB and its development partners (IFC, IADB, UNDP-BCTA, WBCSD, IBAN, CSR-Asia, Government of Sweden, and Credit Suisse) that was held in Manila saw more than 400 delegates from diverse backgrounds.¹¹⁷ Numerous studies have noted the importance of networking for social enterprises. On his expectations from an investor—during an interview for this study—one of the

¹¹⁵ <https://thegiin.org/impact-investing/need-to-know/>

¹¹⁶ Transaction cost can be as high as the size of the investment in some cases for a development bank.

¹¹⁷ ADB (2016a).

social entrepreneurs said: “We are not just looking for money. We need to work with someone that can get us access to a network of important stakeholders in the sector.”¹¹⁸

E. Growth challenge fund as a means to support social enterprises

56. **Challenge funds are defined as “a competitive mechanism to allocate financial support to innovative projects, to improve market outcomes with social returns that are higher/more assured than private benefits, but with the potential for commercial viability.”**¹¹⁹ Challenge funds create a pull mechanism, i.e., the potential investee companies reach out to the investor, as opposed to the push approach used in traditional approaches, that is, the investor uses its own network to source deals. For example, the Africa Enterprise Challenge Fund received over 6,000 applications between 2008 and 2014 for its \$1.5 million grants. Of these applicants, 220 were approved as they showed potential to improve market access for the rural low-income population across Africa.¹²⁰

57. **Challenge funds are a means of financially supporting social enterprises and can be established through either policy loans or a fund of fund approach.** Under this approach, the organizer of the challenge fund states the “challenge,” or, the problem for which solutions and/or ideas are sought. The potential investees present their solutions and/or projects, including the business and impact models. These solutions and/or projects are then evaluated and winners are selected, usually after an event where investees make a public pitch on their proposed projects. The organizer in this case can be a government-appointed organizer or an intermediary, such as an impact investor or an accelerator.

58. **Among development banks, DFID is the strongest supporter of challenge funds as a means of supporting social enterprises.**

- **DFID runs challenge funds across several sectors.** One of the biggest sector is education. To date, DFID has invested the most in education through the Girls Education Challenge Fund and the Human Development Innovation Fund. The combined volume of these challenge funds in education amounts to \$453 million (£310 million¹²¹). This is reflected in Figure 6. In addition, DFID’s challenge funds have a heavy focus on agriculture with four out of the 14 of funds analyzed tackling issues in that industry.

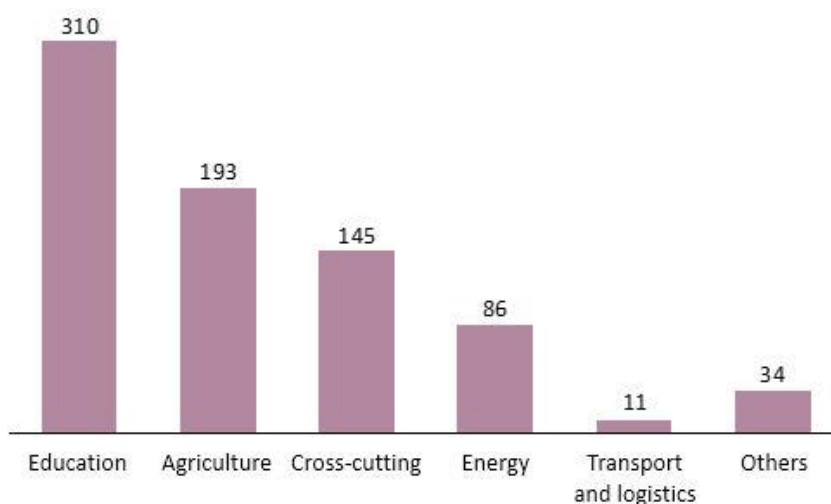
¹¹⁸ Footnote 39.

¹¹⁹ ODI (2013b).

¹²⁰ <http://www.aecfafrica.org/about-aecf/portfolio>

¹²¹ See the Girls’ Education Challenge Guidance Page and the Human Development Innovation Fund.

Figure 6: DFID's Distribution of Challenge Funds by Sector and by Value (in £ million)

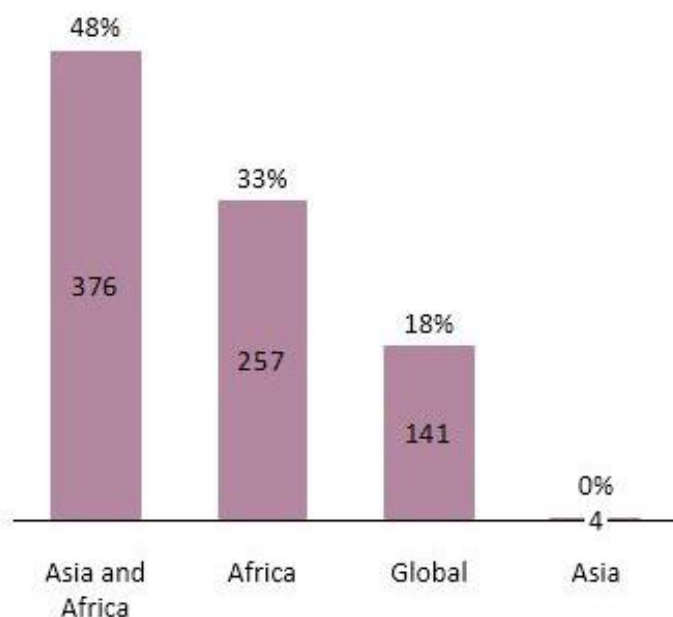


Note: The "Others" category includes Financial Inclusion, Health and Water, Sanitation and Hygiene, and Manufacturing.

Source: Challenge funds' websites, Department for Individual Development Funding Finder.

- **DFID's challenge funds focus on two specific geographies—Asia and Africa.** Of the total value of the funds, 48% had a shared focus on both Africa and Asia, while 33% is focused solely on Africa. Of the funds, 18% had a global focus through the Global Poverty Action Fund, while Asia had a share of less than 1%.¹²² This data is presented in Figure 7.

Figure 7: DFID's Distribution of Challenge Funds, by Region and by Value (in £ million)



Source: Challenge funds' websites, Department for Individual Development Funding Finder.

¹²² Analysis by the authors/ consulting team.

- Of the 14 funds analyzed, five had a maximum possible grant above \$1.46 million (£1 million), six gave a maximum possible grant of £0.5–£1.0 million, one gave a maximum possible grant of £0.25–£0.50 million, and two gave a maximum possible grant of £0.25 million.¹²³ These grants are often one-off and are limited-duration grants to help kick-start the development of the solution.¹²⁴
- Although there is no systematic evaluation of the impact of DFID's challenge funds, case studies were undertaken. For instance, the African Enterprise Challenge Fund had nine out of the 29 cases achieve high social impact and financial returns while most of the remainder had reasonable social impact and financial returns. The initial \$22 million (£15 million) fund leveraged an additional \$105 million (£72 million) from the private sector. The overall net benefit was estimated at \$54 million, 577,361 rural households, and an increase in wages of \$3.7 million for 1,577 new employees.¹²⁵ The Girls' Education Challenge Fund had, as of February 2016, 3,608 classrooms renovated; 6,611 disabled girls enrolled in schools; 64,986 teachers trained; \$16 million (£11 million) disbursed for bursaries, stipends, and cash transfers; and 1,181,647 girls reached.¹²⁶

59. Challenge funds provide a broader range of benefits to the social enterprise, the investor, and the social enterprise ecosystem by undertaking the following:

- **Reducing the search cost.** Challenge funds can reduce search costs as they seek investees as opposed to the traditional approach of project officers searching for deals individually. This is especially beneficial when the sector is new and there is very little information on the players attempting to solve that problem.
- **Marketing the social enterprise sector.** A challenge fund can produce awareness and momentum for the sector by creating a public domain to share success stories and more broadly market the growing attractiveness of the social enterprise sector. For example, the \$7.9 million (A\$11 million) Enterprise Challenge Fund of AusAID funded 21 projects in Southeast Asia, of which 14 have proven to be commercially viable. The success of these projects has led to an additional 130 SMEs entering the market or improving productivity.¹²⁷
- **Building a common platform.** A challenge fund can provide a common platform for ecosystem players to identify, network, nurture, learn about, and even finance budding social entrepreneurs. This can help to formalize the social enterprise sector by fostering stronger ties between players, building a two-way information flow, and providing a common platform through which ideas and initiatives can be discussed and launched. The Africa Enterprise Challenge Fund, on average, has a 3:1 leverage ratio, with some projects leveraging up to 25 times the funding received from this fund.
- **Increasing opportunities for mentorship and skills-sharing.** Social enterprises can leverage the common platform to build mentoring connections among them and with other professionals in the sector, thus enabling a freer flow of talent and advisory assistance. One challenge fund that focuses solely on increasing these opportunities is the UK's Sector Mentoring Challenge Fund. This fund offers to match funding—up to \$220,000 (£150,000)—

¹²³ Analysis by the authors/ consulting team.

¹²⁴ Footnote 119.

¹²⁵ Footnote 119.

¹²⁶ <https://www.gov.uk/guidance/girls-education-challenge>

¹²⁷ Australian Aid (2013).

to incentivize large corporations to provide mentorship for SMEs in relevant sectors. The fund helps match SMEs to mentors, as mentorship has been proven to increase growth for these organizations.¹²⁸

- **Innovation.** Challenge funds are well-placed to encourage the development of innovative solutions. Such solutions tend to carry more risks as they are untested concepts. Thus, the provision of a grant can help hedge against potential losses. DFID's Girls Education Challenge Fund received over 1,000 applications for its "innovation window," which focuses on supporting the piloting of innovative ideas and solutions in Africa and Asia.¹²⁹

60. **While challenge funds have the potential to be quite successful, a few common pitfalls can limit their success,** such as

- **Lack of strategic priorities.** The strategic priority of a challenge fund should be clearly outlined. It should include the specific problem that it attempts to solve, the profile of social enterprises that it seeks to attract, and the impact of the program. For example, a challenge fund focusing on improving agriculture outcomes could have "increasing cold chain efficiency" as its objective, growth stage enterprises as its target enterprises, and a reduction in produce loss as its impact parameter. A lack of strategic priority for challenge funds leads to increased management cost and time, and less effective due diligence. The Enterprise Challenge Fund's completion report found that a sector focus would have reduced the time and cost of the fund management. In addition, a sector focus would have improved the overall performance of the fund as it could have more targeted selection criteria, provide more targeted support, and better evaluate the impact and outcomes of the projects.
- **Lack of impact measurement.** Challenge funds are not always able to measure the development impact of projects due to a lack of rigorous evaluations. For instance, DFID's Girls Education Challenge Fund has found little evidence of increased enrolment and attendance, or of improved learning outcomes, in part due to inconsistencies in data and missing or unreported data.

61. **There are two possible approaches for running a challenge fund.** Through interviews and research, two possible approaches that can be adopted for a challenge fund have been identified. Table 7 presents a summary of the key characteristics.

¹²⁸ Department for Business Innovation & Skills (2013).

¹²⁹ Coffey (2015).

Table 7: Two Potential Approaches for a Challenge Fund

	The Pioneer Challenge	The Growth Challenge
Purpose	Support pioneers in SEs in a specified sector	Catalyze growth in post-pilot SEs.
Categories of SE targeted	Partly commercial NGOs, Small SE, Established SE	Leading SE (potential IB)
Stage of SEs targeted	Seed stage SEs that seek capital to pilot innovative solutions.	Early stage SEs that seek capital to scale up successful pilot programs.
Sector	The challenge should target nascent sectors such as sanitation.	The challenge should target relatively evolved sectors such as agriculture.
Capital Provision	\$25,000 to \$200,000; Most experts believe the need is most dire at this stage.	\$200,000 to \$3,000,000; However, there is merit in supporting SEs at this stage as well.
Degree of Innovation	High	Medium
Capacity Building	At an early stage, funds would need to be more engaged in their capacity building services.	At growth stage, funds can provide more passive forms of support through light touch means.
Financial Instruments	Grants are the most common form of funding instrument deployed at this stage.	Grants for technical assistance, combined with equity and debt.
Operational Structure	It is recommended that the challenge fund be run with local partners — impact investors/incubators/accelerators. With a larger group of stakeholders, however, funds should be aware of risk of goal of goal misalignment.	

IB = inclusive business, NGO = nongovernment organization, SE = social enterprise.

Source: The authors/ consulting team

62. **Growth challenge funds are more suitable for development banks.** One of the reasons why development banks support social enterprises is to be able to build a viable pipeline of IB deals. This is only possible with the growth of challenge funds, as social enterprises in pioneer challenge funds are usually too young to be scaled up to become the IBs of the future.

V. CONCLUSION AND RECOMMENDATIONS

63. **Social enterprises under the category of *leading social enterprises* can be nurtured and supported to become inclusive businesses.** Not all social enterprises can or need to be IBs. However, *leading social enterprises* (as discussed in section 1.3), can become IBs with appropriate and sustained support. Development banks are encouraged to invest in these enterprises to help build their profitability, social impact, and scalability, and in building the support mechanisms and ecosystem for these enterprises.

64. **It is recommended that development banks invest in *leading social enterprises* (potential IBs) through policy loans or through intermediary funds in the private sector.** Development banks could work with and channel social enterprise financing to governments or private investment firms (i.e, impact investors). This lessens investment risks, and could generate greater awareness, understand, and multisectoral support for the social enterprise sector. Investing in “growth challenge funds” for leading social enterprises is ideal: it suits the large investment priority/preference of development banks, and could feed into the pipeline of potential IB deals.

65. **Development banks should also provide funds for technical assistance** as part of the larger investment. This is important for them to scale up. This could also be done in coordination with bilateral development partners.

66. **Harmonize impact assessment.** Given the multidimensional definition of impact, it is fair to say that as a whole, social enterprises do create impact on some of those parameters, but very few create impact on all of the parameters (for example: reach vs. depth). A part of this problem is linked to the absence of uniform impact assessment methodologies. Development banks should use their influence in the industry to drive the standardization of impact assessment tools.

67. **Drive accreditation systems.** Despite the growing attention that social enterprises receive, no widely accepted accreditation system exists that distinguishes a social enterprise from other “social organizations.” There is a role for large actors in this area to drive a consensus on determining measures for inclusiveness and earnings intent of a social enterprise. Development banks have the necessary capacity and expertise to work with governments and multiple stakeholders to build this consensus and drive accreditation systems.

APPENDICES

APPENDIX 1: DEFINITION OF A SOCIAL ENTERPRISE AS EMPLOYED BY DIFFERENT ORGANIZATIONS

Organization	Definition
Asian Development Bank (ADB) ^a	A social enterprise is a business-oriented, not-for-profit, or a mission-oriented for-profit enterprise. It has a social or environmental mission—or both—at the core of its work and seeks to operate in a financially sustainable manner.
Department of Business, Innovation, and Skills (BIS), United Kingdom ^b	Social enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose—in the business or in the community.
British Council ^c	Social enterprises are businesses that exist to address social and environment needs, [and] focus on reinvesting earnings into the business and/or the community.
OECD ^d	Social enterprises are organizations that are operating under several different legal forms, and applying entrepreneurship spirit to pursue both social and economic goals at the same time. These enterprises often provide social services and employment for disadvantaged groups in both urban and rural areas. They also provide community services in education, culture, and environment sectors.
Overseas Development Institute, United Kingdom ^e	A social enterprise is an organization that is intended primarily to pursue social impact, and is also financially viable.
NESST ^f	A social enterprise is a business created to further a social purpose.
Social Enterprise Alliance, USA ^g	A social enterprise is an organization or initiative that marries the social mission of a nonprofit or government program with the market-driven approach of a business.
United Kingdom ^h	A social enterprise is a business with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners.
Yunus	A social enterprise is a non-loss, non-dividend company that is created to address and solve a social problem.

Notes:

^a See <http://www.adb.org/features/businesses-mission-focus-social-enterprises>

^b ODI (2013a).

^c British Council (2015).

^d British Council, CIEM & CSIP (2012).

^e ODI (2013a).

IB Accreditation for Agribusiness SE/SME										Total Weight	Total Score
Name of company										100.0%	0.00
Name of IB Project											
Financial Performance											
Criteria		Benchmarks	Actual Numbers	Rating				Weight	Score		
				Not Relevant	Low	Medium	High	30.0%	0.00		
		in million PhP, or %		0	1-2	3-4	5-6				
The company								10.0%	0.00		
Balance Sheet and Income Statement		Financial Year evaluated:.....						5.0%	0.00		
Total Assets		L=<3, M=4-15, H=16-100						1.5%	0.00		
Total Equity		L=<1, M=2-49, H=>50						1.0%	0.00		
Turnover/sales		L = <3, M=4-9, H = >10						1.0%	0.00		
Net Income		NR<0, L=0-0.3, M=0.4-0.9, H=>1						1.5%	0.00		
Total Debt		indicate debt									
Profitability (calculated value)								3.0%	0.00		
Return on Equity		Net Income/Total Equity	0%					3.0%	0.00		
Solvency (calculated value)								2.0%	0.00		
Debt to Equity		Total Debt/Total Equity	0%					2.0%	0.00		
The business case of the IB Project								20.0%	0.00		
Total projected investment		L=<5, M=6-49, H=>50						5.0%	0.00		
Relevance of IB model for company								5.0%	0.00		
Purchase of produce from BoP at full scale as % of overall company produce		NR=<40%, L=41-60%, M=61-80%, H=>81-100%						5.0%	0.00		
Projected IRR of IB model		NR=<0%, L=0-4%, M=5-14%, H=>15%						10.0%	0.00		
Social Impact											
Criteria		Benchmarks	Actual Numbers	Rating				Weight	Score		
				Not Relevant	Low	Medium	High	55%	0.00		
		in number or %		0	1-2	3-4	5-6				
Reach								20%	0.00		
Total number of new income opportunities created for the BoP		Full time employed*100%+Working between 1-3 months*20%+Working more than 3 months*50%									
Full time engaged (incl. family members) on the farms and processing (for a farm husband and wife count as workers, but not children)											
Part time engaged in the cropping and in further direct processing (incl. family)											
Working between than 1-3 month											
Working more than 3 months											
Total number of new income opportunities (direct and indirect; part time income opportunities are calculated by share of working months)		NR=<50, L=51-299, M=300-999, H=>1,000	0					10%	0.00		
Percentage of total new income opportunities (part time and full time) for								10%	0.00		
Poor and low income sector (below PhP 18,000 per family/year)		NR=<40%, L=41-59%, M=60-79%, H=>80%						3%	0.00		
Very poor income sector (below PhP 8,000 per family/year)		NR=<40%, L=41-59%, M=60-79%, H=>80%						4%	0.00		
Percentage of new income opportunities for women (including wife working on the farm)		NR=<10%, L=<11-19%, M=20-29%, H=>30%						3%	0.00		
Depth								25%	0.00		
Increase in net income at full scale against today or against market rate (%)								8%	0.00		
For the full time income opportunities		NR=<20%, L=<21-50%, M=51-100%, H=>101%						4%	0.00		
For the part time income opportunities		NR=<20%, L=<21-40%, M=41-60%, H=>61%						4%	0.00		
Social inclusion								17%	0.00		
Security and duration of new income opportunities								5%	0.00		
Additional technical assistance and training for farmers		see qualitative guidelines						4%	0.00		
New access for the farmers to land								3%	0.00		
New access for the farmers to finance								5%	0.00		
Systemic change for the poor and contribution to inclusiveness of growth								10%	0.00		
Local sourcing and relevance of business models for income poverty in geographic area								6%	0.00		
Relevance for the sector		see qualitative guidelines						4%	0.00		
Replicating and sharing of IB model								2%	0.00		
Sector transformation potential								2%	0.00		
Innovations											
Criteria		Benchmarks		Rating				Weight	Score		
				Not Relevant	Low	Medium	High	15%	0.00		
				0	1-2	3-4	5-6				
Business Innovation								2%	0.00		
Measures to improve profitability								1%	0.00		
Measures to improve governance								1%	0.00		
Social Innovation		see qualitative guidelines						3%	0.00		
Measures to improve social impact								3%	0.00		
Environmental Sustainability Innovation								10%	0.00		
Measures to improve environmental sustainability								10%	0.00		

APPENDIX 3: LIST OF INTERVIEWEES

Organization	Name	Designation
Artemisia	Debora L Basso	Accelerator Program Manager
ANDE Global	Genevieve Edens	Impact Assessment Manager
SIF	Jasmine Chew	Senior Manager, Young Social Entrepreneurs
NeSST	Loic Comolli	Co-Chief Executive Officer
Inotek Foundation, Indonesia	Diyanto Imam	Executive Director
DBS–NUS Social Venture Competition	Prisca Lim Jia Hui	Assistant Manager
Omidyar	Ameya Upadhyay	Principal
Asia Venture Philanthropy Network	Martina M	Assistant Director, Knowledge Centre
Villgro	PR Ganapathy	President
Village Capital	Varun Pawar	Associate–Strategy and Partnerships
ANDE India	Aditya Pant	India Chapter Coordinator
IIX, Shujog	Amy Duffuor	Associate
Synergy Social Ventures	Abbie Jung	Co-Founder
ANDE Brazil	Rebeca Rocha	Brazil Chapter Manager
ANDE Mexico	Katia Dumont	Central American & Mexico Chapter Manager
Village Capital, Communities	Chris Cusack	Manager, VilCap Communities
Ennovent	Juhi Natu	Manager, Regional Services
Lemelson foundation	Sandeep Varma	Program Officer
British Council	Kenneth Turner	Head Society (India)
Mercy Corps	Guru Gujral	Senior Advisor
Insitor	Timothy Rann	Investment Director
	Nicholas Lazos	

APPENDIX 4: LIST OF REFERENCES

- Acumen Fund. 2011. A Bold New Way of Tackling Poverty: Ten-Year Report.
<http://acumen.org/wp-content/uploads/2013/03/Acumen-Fund-Ten-Year-Report-2001-2011.pdf>
- Asian Development Bank (ADB). 2012. India Social Enterprise–Landscape Report. Manila.
<http://adb.org/sites/default/files/pub/2012/india-social-enterprise-landscape-report.pdf>
- ADB. 2013. *Pakistan: Developing Social Enterprise*. Internal Report
- ADB. 2016a. Summary document. *2nd Inclusive Business in Asia Forum: A cross-sector gathering of pioneers*. 16-19 February 2016. Manila, Philippines.
- ADB. 2016b. *Unleashing the Potential: The role of development banks to promote inclusive business in Asia and Latin America*. Unpublished
- Agence Française de Développement. 2014. *Annual Report 2014*.
<http://www.afd.fr/webdav/site/afd/shared/PUBLICATIONS/INSTITUTIONNEL/rapports-annuels/AFD-Annual-report-2014-EN.PDF>

Ashoka. 2013. Ashoka's Approach to Assessing Impact. <https://www.ashoka.org/files/2013-Impact-Study-FINAL-web.pdf>

Australian Aid. 2013. Enterprise Challenge Fund for the Pacific and South-East Asia—Project Completion Report. <http://dfat.gov.au/about-us/publications/Documents/ecf-2013-project-completion-report.pdf>

AVINA Foundation, Potencia Ventures, ANDE & CDE. no date. Mapping the Social/Inclusive Business Field in Brazil. http://www.aspeninstitute.org/sites/default/files/content/docs/ande/Mapping%20Social%20%26amp%3B%20Inclusive%20Businesses%20in%20Brazil%20-%20complete%20report%2028_11.pdf

Boston Consulting Group. 2015. The Art of Sustainable Giving: Priorities to Accelerate Social Enterprise Growth in Indonesia. http://image-src.bcg.com/The-Art-of-Sustainable-Giving-May-2015_tcm93-40480.pdf

British Council. 2012. Social Enterprises in Vietnam—Concept, Context and Policies. <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>

British Council. 2013. Social Enterprise Landscape in Myanmar. https://www.britishcouncil.org/sites/default/files/burma_report.pdf

British Council. 2015. A Review of Social Enterprise Activity in the Philippines. https://www.britishcouncil.org/sites/default/files/social_enterprise_activity_philippines.pdf

British Council and ODI. 2015. Social Enterprise—An Overview of the Policy Framework in India. https://www.britishcouncil.org/sites/default/files/social_enterprise_policy_landscape_in_india_british_council.pdf

British Council, CSIP and Spark. 2011. Vietnam 2011 Social Enterprises Mapping Project. <http://csip.vn/en/content/final-report-vietnam-2011-social-enterprises-mapping-project>

Brownsdon, Richard. 2013. *Brazil's Eco-Tourists Keep Social Enterprises Successful and Sustainable*. <https://www.theguardian.com/social-enterprise-network/2013/jul/23/brazil-ecotourists-aid-sustainability>

Coffey International Development Ltd. 2015. Baseline Report—Innovation Window. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/425338/innovation-window-Baseline-Report-fulla2.pdf

Department for Business Innovation & Skills. 2013. Sector Monitoring Challenge Fund. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254985/bis-13-1263-sector-mentoring-challenge-fund-prospectus.pdf

Department of Trade and Industry, United Kingdom. 2002. Social Enterprise: A Strategy for Success. <http://webarchive.nationalarchives.gov.uk/20050301215355/http://www.sbs.gov.uk/content/socialenterprise/documenta.pdf>

- Echoing Green. 2014. Funding Social Enterprises.
http://www.echoinggreen.org/downloads/Echoing-Green-Impact-Investing-Profiles_6.2014.pdf
- Ernst & Young. 2015. EY Global Job Creation and Youth Entrepreneurship Survey 2015.
[http://www.ey.com/Publication/vwLUAssets/EY_global_job_creation_and_youth_entrepreneurship_survey_2015/\\$FILE/EY-job-creation-youth-entrepreneurship-survey-2015.pdf](http://www.ey.com/Publication/vwLUAssets/EY_global_job_creation_and_youth_entrepreneurship_survey_2015/$FILE/EY-job-creation-youth-entrepreneurship-survey-2015.pdf)
- G20 Development Working Group. 2015. Inclusive Business Framework: Inclusive Business Approaches. Turkey
- GIZ. 2014. Beyond Equity—Financial Innovations for Social Enterprise Financing.
<https://www.giz.de/en/downloads/giz2014-en-msme-innovations-social-enterprise-financing.pdf>
- Hansley et al. 2015. Taking the Pulse of the Social Enterprise Landscape in Developing and Emerging Economies—Insights from Colombia, Mexico, Kenya & South Africa.
https://www.siemens-stiftung.org/fileadmin/user_upload/Dokumente/publikationen/2015-05-04-Studie-in-englisch.pdf
- ICSEM. 2015. Social Enterprise in Cambodia—An Overview.
- Indian Institute of Management Bangalore. 2011. Talent Acquisition and Retention in Social Enterprises: Innovations in HR Strategies. *Working Paper No. 328*. Bangalore: IIMB.
[http://www.iimb.ernet.in/research/sites/default/files/Talent%20Acquisition%20and%20Retention%20in%20Social%20Enterprises_full%20paper%20\(1\)%20WP%20328.pdf](http://www.iimb.ernet.in/research/sites/default/files/Talent%20Acquisition%20and%20Retention%20in%20Social%20Enterprises_full%20paper%20(1)%20WP%20328.pdf)
- Impact Investment Exchange Asia (IIX). 2009. Social Enterprise in Asia: Context and Opportunities. <http://www.asiaix.com/wp-content/uploads/2010/03/Social-Enterprise-in-Asia-Context-and-Opportunities3.pdf>
- Intelcap. 2012. On the Path to Sustainability and Scale—A Study of India's Social Enterprise Landscape. <http://intelcap.com/publications/path-sustainability-and-scale-study-indias-social-enterprise-landscape>
- Intelcap. 2013. Pathways to Progress: A Sectoral Study of Indian Social Enterprises. <http://www.intelcap.com/publications/pathways-progress-sectoral-study-indian-social-enterprises>
- International Labour Organization (ILO). *Agriculture; Plantations; Other Rural Sectors*.
<http://www.ilo.org/global/industries-and-sectors/agriculture-plantations-other-rural-sectors/lang--en/index.htm>
- Kayser, O. and Budinich, V. 2015. *Scaling Up Business Solutions to Social Problems: A Practical Guide for Social and Corporate Entrepreneurs*. Palgrave MacMillan UK
<http://www.palgrave.com/us/book/9781137466525>
- Kordant Philanthropy Advisors. 2014. *Social Enterprises in Asia: An Introductory Guide*.
<http://www.kordant.com/assets/Social-Enterprises-in-Asia.pdf>

- Lyne, Isaac, et al. 2015. Social Enterprise in Cambodia: An Overview. <http://www.iap-socent.be/sites/default/files/Cambodia%20-%20Lyne%20et%20al.pdf>
- Mae Fah Luang Foundation. 2010. Doi Tung Development Project: The Model Project. http://www.maefahluang.org/index.php?view=items&cid=68%3Adoi-tung-development-project-model-project&id=105%3Adoi-tung-development-project-the-model-project-&format=pdf&option=com_flexicontent&Itemid=92&lang=en
- MaGIC Social Entrepreneurship. 2015. Unleashing the Power of Social Entrepreneurship, Malaysian Social Enterprise Blueprint, 2015–2018. <http://atasbe.mymagic.my/multimedia/pdf/MSEB%20FINAL%20-%20web.pdf>
- Mekong Plus. 2012. Mekong Quilts Catalogue. <https://mekong-plus.com/doc/catalog%20Mekong%20Quilts%20-April%202012.pdf>
- Multilateral Investment Fund. 2015. Development Effectiveness Report, 2015. <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39948961>
- Overseas Development Institute (ODI). 2013a. *Mixing Business and Social—What is a Social Enterprise and How Can We Recognize One?* <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8755.pdf>
- ODI. 2013b. Understanding Challenge Funds. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9086.pdf>
- ODI. 2015. Grants, Incubators and Innovation: A Snapshot of Social Enterprise Activity in Pakistan. <https://www.odi.org/publications/10164-grants-incubators-innovation-snapshot-social-enterprise-activity-pakistan>
- Pompia, C. 2013. Understanding Challenge Funds. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9086.pdf>
- Pour un Sourire d'Enfant. 2013. Survey on Social Business in Cambodia. http://www.academia.edu/22231086/Social_Enterprise_Cambodias_Social_Enterprise_Survey_2015
- Seas of Change. 2015. Case Study 4: India Amul/National Dairy Development Board. <http://seasofchange.net/wp/wp-content/uploads/2015/07/Case-study-4-IFAD-dairy-Indiadocx1.pdf>
- SEFORIS. 2014. The State of Social Entrepreneurship—Key Facts and Figures. http://www.seforis.eu/upload/reports/1_Key_Facts_and_Figures_of_Social_Entrepreneurs.pdf
- O'Riordan, Anne-Marie, et al. 2013. Challenge Funds in International Development. <http://www.tripleline.com/wp-content/uploads/2013/12/Challenge-Funds-in-International-Development.pdf>

Social Enterprise UK. 2015. Leading the World in Social Enterprise.

http://socialenterprise.org.uk/public/uploads/editor/SEUK_StateofSocialEnterprise_FINAL_WEB.pdf

Villgro. no date. Overcoming Barriers to Scale—Lessons on Infusing Talent into Social Enterprises. http://www.villgro.org/research-files/Talent_Prospectus_Oct2013.pdf