Towards an **Enabling Policy Environment** for **Impact Investment** in **Asia and the Pacific**

Annex: Country Snapshots

GSG Driving real impact

UNITED NATIONS ESCAP
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Annex: Country snapshots

This section provides an overview of the impact investment policy landscape in 18 countries in the Asia-Pacific region: Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, India, Indonesia, Japan, Laos People's Democratic Republic, Malaysia, Myanmar, Nepal, the Philippines, the Republic of Korea, Singapore, Sri Lanka, Thailand and Viet Nam.

Methodology

▲ Data and research

Based on the framework developed in the GSG Toolkit "Catalysing the Impact Investing Ecoystem" published in 2018, evidence for existing policies in the focus countries was collected through secondary research, including grey literature, academic papers, and websites. In particular, evidence was sought on the effectiveness of policy and regulatory tools in promoting impact investing. For most of the countries, one or more local experts/key market participants validated the findings and provided additional input.

While every effort was made to ensure the accuracy of data, the snapshots can only reflect a status quo at the time of research (March 2020). The snapshots are not fully comprehensive, but rather they provide an overview.

▲ The policy toolbox

A policy toolbox is inserted in most of the profiles to summarize the key initiatives identified. The assessment in these boxes is conducted on the basis of the "OECD Roles of Government" and GSG 'Market Pillars' framework which look at the role of government through three key dimensions: market facilitator, market participant and market regulator.

A1 Bangladesh[1]

Context

Three public bodies have substantial influence on the investment climate in Bangladesh. The Bangladesh Investment Development Authority encourages private sector investment and provides necessary facilities and assistance. Bangladesh Bank, as the central bank, formulates and implements monetary policies, supervises and regulates banks and other financial institutions. The Bangladesh Securities and Exchange Commission regulates capital market investors and intermediaries, prevents fraud and unfair practices, and provides training.

Support to social enterprises is still needs development, especially outside the capital city. Build Bangladesh in partnership with "ygap Australia", as well as two largest national non-governmental organizations, Grameen and BRAC, have played leadership roles in incubating, accelerating and funding of social enterprises. Other players, including incubators and accelerators, advisory services companies, and training providers are emerging.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**Dedicated central unit** National Advisory Board for Impact Investing in Bangladesh (spans Supply, Intermediaries, Demand)		
Market participant	**Access to capital** Build Bangladesh-UNDP SDGs Impact Fund Build Bangladesh Social Entrepreneurs Fund		
Market regulator / legislator	**Impact-focused investment regulation** Alternative Investment Rule 2015 Environmental Risk Management Guidellines CSR guidelines		

1 Government as market facilitator

The National Advisory Board is developing a national strategy and action plan on impact investing.

1.1 Dedicated central unit

- The National Advisory Board for Impact Investing in Bangladesh was established in 2018. The Board sets strategic direction for developing the impact investing ecosystem in the country and fosters collaborative relationships with key market players. The NAB is headed by the Secretary of the External Resources Division of the Ministry of Finance and includes relevant regulatory bodies and Bangladesh Bank. Build Bangladesh, a private sector pioneer initiative for impact investing, was instrumental in establishing the NAB and provides its secretariat functions. The NAB is currently developing a national strategy and action plan for impact investing in collaboration with ESCAP, the Swiss Development Cooperation and the British Council. It is expected to be finalized in late 2020 and shall be endorsed by the Government. It will be closely aligned with the seventh Five-Year Plan and the Sustainable Development Goals (SDGs).

2 Government as market participant

2.1 Access to capital

- The United Nations Development Programme and Build Bangladesh aimed to raise over $100 million from financial institutions as well as local and global private impact investors for the SDGs Impact Fund. The fund is a priority of the Government of Bangladesh, and projects include affordable housing and social entrepreneurship.
- The Build Bangladesh Social Entrepreneurs Fund was endorsed by the Government of Bangladesh. A global investor is its main sponsor and the fund is under the Alternate Investment Rules of 2015.[2]

3 Government as market regulator

3.1 Impact-focused investment regulation

- The Bangladesh Securities and Exchange Commission issued the Alternative Investment Rules of 2015 to support impact funds along with venture capital and private equity. It regulates the process to securitize impact funds, private equity and venture capital. It allows investment in non-listed local firms and early stage businesses.[3] The Commission is also planning to extend the regulation to facilitate long-term start-up financing.[4]
- Bangladesh Bank has institutionalized Green Banking through Environmental Risk Management Guidelines for Banks and financial institutions and policy guidelines for Green Banking. These guidelines mandate 5 per cent of total loan disbursement to be issued as direct green finance. Financial institutions are also required to form a sustainable finance unit and sustainable finance committee. These initiatives are aimed at generating positive environmental outcomes and mitigating social risks that arise from commercial lending. In financial year 2018, BDT 71.35 billion (approximately $830 million) have been disbursed directly as green finance by 31 banks.[5] In addition, a Bangladesh Bank policy circular from April 2019 classified impact investing or impact funds as green finance.
- Bangladesh Bank issued guidelines to mainstream corporate social responsibility activities for all banks. The Bank mandated that 2 per cent of profits should be spent to achieve social and environmental outcomes. Regulation has been extended to telecommunication companies also.[6] The guidelines ask to consider the economic, social and environmental impact of businesses, to mitigate the negative impacts and generate positive outcomes, and to initiate action programmes and community investments to promote inclusion and equality.[7]

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[1] We thank Farhad Reza, President of Build Bangladesh, for his input and assistance in developing this country assessment. For a general overview of the impact investing landscape in Bangladesh, please refer to the 2019 GSG report "Transition to Impact Economies – Global Overview".

[2] Interview with Impress (Build Bangladesh).

[3] Alternative Fund Rules (2015). Retrieved from http://sec.gov.bd/lbook/F-07_2015.pdf.

[4] https://www.daily-sun.com/printversion/details/368291/2019/02/02/Alternative-investment-policy-for-startups-soon-.

[5] https://www.bb.org.bd/pub/annual/anreport/ar1718/chap6.pdf; This snapshot uses the exchange rate $1 = BDT 86.3 of 24 March 2020.

[6] British Council (n.d.). Social Enterprise Policy Landscape in Bangladesh. Retrieved from www.britishcouncil.org/sites/default/files/social_enterprise_policy_landscape_in_bangladesh.pdf.

[7] Patwary, AR (2015). The Evaluation of CSR on Banks' performance to promote sustainable Banking in Bangladesh: A study on supply chain context. Retrieved from http://dspace.bracu.ac.bd/xmlui/bitstream/handle/10361/4921/14282029.pdf?sequence=1&isAllowed=y.

A2 Bhutan[1]

Context

While the impact investing market in Bhutan is just about emerging, the country's unique philosophy of Gross National Happiness (GNH) embeds positive social and environmental development in all aspects of government and economic activity. The philosophy, which has been developed as an alternative to gross domestic product, includes a set of indicators for measuring the well-being and happiness of the Bhutanese people. It is based on nine domains: living standards, education, heath, environment, community vitality, time-use, psychological wellbeing, good governance, and cultural resilience and promotion.

Diversifying and decentralizing its economy are two top priorities for Bhutan's current national development plan, the Twelfth Five-Year Plan for 2018–2023. One key strategy to achieve this is to strengthen and enable the development of cottage and small industries, which are small enterprises that contribute to positive social development and impact for the country.[2] The plan highlights the need for the Government to facilitate access to finance and alternative finance mechanisms for cottage and small industries.

Related policy interventions aim strengthen foreign direct investment and public-private partnerships. These investments are guided by the inclusive principles laid down in GNH. All state-owned enterprises are mandated to contribute to social and environmental values through corporate social responsibility.[3] The GNH forms the most important element of the Bhutanese model of impact ecosystem. Furthermore, the Twelfth Five-Year Plan includes targets to achieve the Sustainable Development Goals and focuses on innovation, creativity and enterprise development.[4]

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**Dedicated central unit**		
	Gross National Happiness Commission		
	National strategy		
	Economic Development Policy, 2016		
			Capacity-building
			National Entrepreneurship Strategy, 2015
			Rural Economy Advancement Program (REAP) II
			Business Startup Centre
			Startup & Cottage and Small Industries Development Flagship Programme
Market participant	**Access to capital**		
	National Entrepreneurship Strategy, 2015		
	REAP II Microfinance programme		
Market regulator / legislator	**Fiscal incentives**		
	Fiscal Incentives Act, 2017		
	Economic Development Policy, 2016		

❶ Government as market facilitator

Broad legislative framework for sustainable economic, social and environmental growth is established through Economic Development Policy.

1.1 National strategy

- The Economic Development Policy, 2016 focuses on social transformation and sustainable environment as precursors for any commercial activity or project. Based on a vision of achieving a green and self-reliant economy, the policy prescribes necessary measures for reform in five key sectors: hydropower, agriculture, cottage and small industries, tourism and mining. It mandates that the Government promotes green and climate smart agriculture, develops internationally benchmarked green and energy efficiency construction quality standards and establishes policies to boost the use of hybrid and electric vehicles. Furthermore, it provides guidelines for sustainable use of natural resources and environmental consideration, specifically in the mining, construction, and agriculture sectors.[5]

1.2 Dedicated central unit

- The Gross National Happiness Commission is a central government body that guides GNH principles in all policies and plans. The aim is to ensure cohesion between sectoral policies and alignment with the five-year plans and national development objectives, such as poverty alleviation, livelihood generation and economic development.

1.3 Capacity-building

- The National Entrepreneurship Strategy, 2015 makes entrepreneurship an explicit policy priority for job creation, innovation and economic growth. The strategy proposes to support this goal by fostering business education and hard skills through entrepreneurship courses, vocational trainings, public private collaboration for knowledge exchange and the establishment of autonomous institutes for entrepreneurship development.[6]
- The Rural Economy Advancement Program II aims to alleviate multidimensional poverty through support to microenterprises and self-help groups at the village level. Interventions include trainings in specialized skills and knowledge, access to finance and provision of farming equipment, livestock and machinery. As of March 2017, the Program had supported the formation of 76 self-help groups and has invested approximately $1.6 million.
- In 2018, the Ministry of Economic Affairs' Department of Cottage and Small Industry established a Business Start-up Centre. The centre provides up to 28 cottage and small industries with co-working space and business development and technical assistance services, such as mentoring, training, marketing, and product design and development, as well as linkages to financial institutions.[7]
- The Twelfth Five-Year Plan announced the creation of a Startup and Cottage and Small Industries Development Flagship Programme. With $16 million earmarked for its implementation, the aim of the programme is to foster job creation and enhance income generation through cottage and small industries. The programme will provide holistic business support through incubation centres at universities and technical training institutes and entrepreneurship training programmes throughout the country. Furthermore, it intends to improve access to and explore alternative financing mechanisms and to create an enabling ecosystem for the growth of cottage and small industries.[8] As of December 2019, the programme had trained over 60 entrepreneurs in two regions and provided a business advocacy workshop for more than 360 participants.[9]

❷ Government as market participant

Access to finance is driven by National Entrepreneurship Strategy which proposes to establish funds for social enterprises.

2.1 Access to capital

- The National Entrepreneurship Strategy, 2015 seeks to reform the entrepreneurship landscape by mitigating key barriers to growth for innovative indigenous enterprises. Any business established under the strategy should focus on positive social outcomes, environmental preservation and contribution to economic growth. Tools such as public credit guarantee schemes, seed capital through private and public funds, crowd funding, and performance-based loans are to be deployed to enable access to finance for home-grown enterprises.[10]

- The Rural Economy Advancement Program II also provides microfinance for self-help groups and microentrepreneurs, in order to support sustainable economic opportunities in the poorest villages of the country.[11]

3 Government as market regulator

Bhutan has laid down regulatory structure to provide incentives to socially and environmentally conscious businesses.

3.1 Fiscal incentives (demand)

- The Fiscal Incentives Act, 2017 offers various sector-specific, direct and indirect tax incentives for businesses that generate positive social outcomes and focus on sustainable environmental activities. Tax rebates are offered to enterprises adopting environmentally friendly technologies. Small and micro enterprises located in rural areas which generate positive social outcomes through eco-tourism, waste management and recycling, use of green construction materials may also benefit from tax incentives. For example, 15 per cent of expenses of environmentally friendly technologies are converted into a tax rebate.[12]
- The Economic Development Policy, 2016 proposes tax rates reduction, tax credits and tax incentives for engagement in social entrepreneurship.[13]

3.2 Specific legal form

- Bhutan does not have a specific legal definition for impact or social enterprises, though the term does appear several times in the Twelfth Five-Year Plan. Under the Civil Society Organizations Act 2007,[14] a civil society organization can be formed as any private association, society, foundation, charitable trust, and not-for-profit organization. It cannot distribute income or profits to their members, founders, donors, directors or trustees.

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1 We thank Tandin Wangchuk, Development Economist, UNDP, for his assistance and support in developing this country assessment.

2 Gross National Happiness Commission (2019) 12th Five Year Plan Guidelines. Retrieved from gnhc.gov.bt.

3 Interview with UNDP.

4 Gross National Happiness Commission (2019) 12th Five Year Plan Guidelines. Retrieved from gnhc.gov.bt.

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6 United Nations Industrial Development Organization (2015). National Entrepreneurship Strategy. Retrieved from www.molhr.gov.bt/molhr/wp-content/uploads/2018/07/Bhutan-NES_Project-UEBHU11001_Mar-2015.pdf.

7 Ministry of Economic Affairs (2018). Startup Center Established. Retrieved from www.moea.gov.bt/?p=5032.

8 Gross National Happiness Commission (2019) 12th Five Year Plan Guidelines. Retrieved from gnhc.gov.bt.

9 Rinzin, Y.C. (2019). Startup and CSI development flagship to help youth Retrieved from https://kuenselonline.com/startup-and-csi-development-flagship-to-help-youth/.

10 Ibid.

11 Gross National Happiness Commission Secretariat (2017). Rural Economy Advancement Programme (Phase II). Retrieved from www.gnhc.gov.bt/en/wp-content/uploads/2017/05/REAP-Brief_Final.pdf.

12 Ministry of Finance (2017). Rules on the Fiscal Incentives Act of Bhutan 2017. Retrieved from www.mof.gov.bt/wp-content/uploads/2014/07/Rules_FI2017.pdf.

13 Specific quantum of relief and underlying requirements are not yet published; United Nations Industrial Development Organization (2015). National Entrepreneurship Strategy. Retrieved from www.molhr.gov.bt/molhr/wp-content/uploads/2018/07/Bhutan-NES_Project-UEBHU11001_Mar-2015.pdf.

14 Royal Government of Bhutan (2007). The Civil Society Organizations Act of Bhutan. Retrieved from www.nationalcouncil.bt/assets/uploads/docs/acts/2014/Civil_Society_Act,_2007Eng.pdf.

A3 Brunei Darussalam

Context

The presence of social enterprises on the demand side as well as impact capital on the supply side remains relatively limited. With state acting as the major welfare actor, the growth of social enterprises has been constrained to a certain degree. However, the Government has set up technical assistance facilities for MSMEs including social enterprises, whereas the impact investing sector is still nascent.[1]

While the policy ecosystem for impact investment and social enterprises is emerging, there are some programmes run by Brunei Economic Development Board (BEDB) to support entrepreneurs. There are also some initiatives (e.g. Future Fund) which are involved in seed-stage funding. Also, Yayasan Sultan Haji Hassanal Bolkiah Foundation (YSHHB), a foundation launched by the Sultan of Brunei in 2019, set up a working committee to support social enterprises in Brunei.[2] DARe (Darussalam Enterprise) is Brunei's national SME body which provides training and development, facilitates investment ecosystem and promotes entrepreneurial culture in general.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator			**Capacity-building** DARe YSHHB
Market participant			
Market regulator / legislator			

1 Government as market facilitator

The Government has taken some initiatives to promote MSME sector, while those specifically targeting social enterprises and impact investing sector are yet to materialize.

1.1 Capacity-building

- In 2016, the Government established DARe, which is responsible for strengthening the capacities of micro, small and medium enterprises (MSMEs). DARe has also partnered with Yayasan Sultan Haji Hassanal Bolkiah Foundation (YSHHB) to develop the social enterprise sector in Brunei Darussalem.[3] DARe offers six services, Support Services, Financing, Training, Space, Market Access, and Business Promotion.[4] In the first two cycles of DARe's Startup Bootcamp, 46 companies participated. Collectively, they were raising over $580,000 in investment and creating close to 400 employment opportunities. The first cycle of the Micro Startup Bootcamp, which aims at youth capacity-building, developed 32 new businesses.[5]
- In 2019, YSHHB has also set up a working committee on social enterprises, and would be providing social enterprises with training, mentorship and market linkage support.[6]

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2 Biz Brunei (2019). Yayasan sets up committee to develop Brunei's social enterprises. Retrieved from www.bizbrunei.com/2019/02/yayasan-sets-up-committee-to-develop-bruneis-social-enterprises-yshhb/.

3 Biz Brunei (2019). YSHHB, An-Nur Harapan and DARe join ASEAN+3 Social Enterprise Conference. Retrieved from www.bizbrunei.com/2019/03/yshhb-and-an-nur-harapan-join-asean3-social-enterprise-conference/.

4 Darussalam Enterprise (n.d.). Overview of service. Retrieved from www.dare.gov.bn.

5 Biz Brunei (2019). How can DARe help your business? Retrieved from www.bizbrunei.com/2018/06/how-can-dare-help-your-business/.

6 Biz Brunei (2019). Yayasan sets up committee to develop Brunei's social enterprises. Retrieved from www.bizbrunei.com/2019/02/yayasan-sets-up-committee-to-develop-bruneis-social-enterprises-yshhb/.

A4 Cambodia[1]

Context

Historically, Cambodia has been one of the most aid-dependent developing economies,[2] which has had a major impact on the development of the social enterprise landscape in the country. The dependence on aid in the past led to a proliferation of local non-governmental organizations (NGOs) that served as implementing partners for international and aid organizations. As Cambodia reached lower middle-income status in 2015, the volume of foreign aid steadily dropped. In response, NGOs needed to diversify revenue streams and maintain financial sustainability. Thus, they began expanding into the realm of social enterprise.[3] With no specific legal structure for social enterprises, a majority of existing and new social enterprises are registered as non-governmental organizations or associations.[4] As of 2015, there were an estimated 127 social enterprises in the country, operating mainly within the sectors of microfinance, vocational training, agriculture, rural development, energy, environment, health care, water and sanitation.[5]

While impact investing is still in its early stages in Cambodia, there has been significant activity already. Cambodia has received the highest number of impact investment deals within South-East Asia, as well as 45 per cent of all capital from private impact investors (amounting to around $400 million) deployed in the region as well as investment from development finance institutions (DFIs) of around $650 million during 2007–2017.[6] Almost all impact investments in the country come from a few key international investors, including Insitor Fund SCA, Bamboo Finance, Synergy Labs, Arun LLC, Uberis Capital, Swiss Investment Fund for Emerging Markets and the Pioneer Facility operated by Nexus for Development. These funding facilities provide debt and/or equity funding to scalable solutions targeting low-income populations.[7] Still, two thirds of small and medium-sized businesses in Cambodia report access to finance as a major obstacle to operating a successful and growing business.[8]

Currently, the Government does not have any policies specifically targeting social enterprises or impact investments. Though plans were outlined in the National Policy on Green Growth in 2013, no green bonds exist yet, and the evaluation of environmental impact is far from being advanced. The contrast of massive amounts of impact capital provided through funds on the one hand, but relatively few investible social enterprises on the other hand remains a crucial limiting constraint to the country's social sector.[9]

Beyond government support, several initiatives led by ESCAP, the United Nations Capital Development Fund or other donors or international NGOs, are directing public and private funding into business models that create social impact, particularly for women-led businesses.[10] Several incubators and accelerators provide capacity building and business development services, including Insitor Fund SCA, the United States Agency for International Development – Development Innovation Ventures,[11] and Beyond Investment Opportunity's Social Enterprise Accelerator – a partnership with Platform Impact Investors, Oxfam Cambodia, and Cambodia Investor Club Association.[12] In addition, multiple public universities, including the Royal University of Phnom Penh, host classes, workshops, and seminars on the social enterprise sector.[13]

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**National strategy**		
	Rectangular Strategy Phase IV (2018-2023)		
	Educational programmes		**Capacity-building**
	Center for Social Enterprise and Innovation, Royal University of Phnom Penn		National Policy on Green Growth, 2013
	Social Innovation Lab, National University of Management		
Market participant	**Access to capital**		
	National Strategic Plan on Green Growth		
	Catalyzing Women's Entrepreneurship: Creating a Gender-Responsive Entrepreneurial Ecosystem		
Market regulator / legislator	**Fiscal incentives**		
	Law on Associations and Non-Governmental Organizations		
	Cambodian Sustainable Finance Initiative, 2016		

1 Government as market facilitator

Targeted policies and schemes for social enterprises are non-existent, with private sector and DFI-led initiatives being the prime drivers.

1.1 National strategy

- The Rectangular Strategy Phase IV (2018–2023) lays out concrete strategic policy measures to guide the implementation of key platform goals. The Rectangular Strategy is the primary blueprint for the country to achieve its vision of becoming an upper middle-income country by 2030, focusing on four priority areas: (i) human resource development; (ii) economic diversification; (iii) promotion of private sector development and employment; and (iv) inclusive and sustainable development. Though there is no specific reference to social entrepreneurship, the strategy does provide a road map for the private sector to contribute not only to the country's economic growth, but also to its social and environmental goals. Furthermore, it explicitly targets creating an enabling environment for facilitating investments in a green economy.

1.2 Capacity-building

- The National Policy on Green Growth 2013 outlines an action plan to provide curriculum, trainings and other capacity building programmes, based on principles of green growth, to officers, private sector, academia, and local communities. The policy calls for the National Council on Green Growth to lead coordination, implementation, monitoring, and payments for the green growth action plan.[14] As of 2019, over 20 state agencies have been created under the Ministry of Environment's National Climate Change Committee. These agencies have implemented a number of programmes on green growth and climate resiliency, including trainings for farmers on climate-resilient rice varieties, capacity-building on local measures for sustainable infrastructure and participatory education campaigns on climate change in rural regions.[15]

1.3 Educational programmes

- Per its institutional description, the Center for Social Enterprise and Innovation at the Royal University of Phnom Penh is "a hub for research, education and training, incubation and dialogue on social enterprise, cooperative, social innovation, corporate social responsibility and broader social economy organizations in Cambodia and the region".[16] Through its programmes and support, the Center promotes a sustainable and inclusive economy in Cambodia. It is managed and hosted by the university Faculty of Development Studies.[17]
- In 2018, the National University of Management established its Social Innovation Lab as part of the European Union-funded Southeast Asian Social Innovation Network.[18] The Social Innovation Lab provides training, business incubation services, space for workshops, educational events on social entrepreneurship and a collaborative "makerspace" to explore, develop and test hardware prototypes for social innovation products.
- The Royal University of Law and Economics and Limkokwing University hold classes, conferences, and seminars on the social enterprise sector.[19]

2 Government as market participant

DFIs contribute the bulk of impact capital available in Cambodia, with policy-level interventions being nascent.

2.1 Access to capital

- The National Strategic Plan on Green Growth, created under the National Green Growth Policy (2013) provides a framework for domestic financial institutions to promote green growth and enhance access to green financing, including green funds and green microcredit.[20]
- The Ministry of Women's Affairs, together with ESCAP and Global Affairs Canada, launched a project in 2019 to support the growth of women entrepreneurs as a strategy for poverty reduction, social well-being and sustainable economic growth in the Asia-Pacific region. Under the title, "Catalyzing Women's Entrepreneurship: Creating a Gender-Responsive Entrepreneurial Ecosystem," the project aims to facilitate access to capital for female entrepreneurs through the creation of innovative financing mechanisms. One key activity, the Women MSME Fintech Innovation Fund supports companies to pilot innovative digital and financial solutions that help improve access for women-owned or led MSMEs in Cambodia and other Asian countries. Eligible companies receive mentorship, technical support to develop their business plans and early-stage co-funding ($25,000 – $50,000).[21] As of June 2019, the first cohort of 10 companies from the region had been selected, of which two were from Cambodia (SHE Investments and BanhJi FinTech).[22]
- The United National Capital Development Fund through various programmes, such as Shaping Inclusive Finance Transformations, which invests in business models that increase women's participation in the economy, and CleanStart, which invests risk capital in financial service providers and energy enterprises contributing to green growth, is a systemically important DFI in Cambodia. Though not official government programmes, these activities are supported and endorsed by the Government of Cambodia.

3 Government as market regulator

Cambodia has adopted an early stage policy with respect to embedding impact in banks' fiduciary duty. There is no specific legal structure for social enterprises in Cambodia; however, those that register as NGOs or associations are eligible for tax incentives.

3.1 Impact-focused investment regulation

- The Cambodian Sustainable Finance Initiative was launched in 2016 through a partnership of the Association of Banks in Cambodia, the National Bank of Cambodia and the Ministry of Environment. It focuses on developing national, environmental and social standards and supports banks in integrating the same standards into their lending decisions. This initiative is also supported by the International Finance Corporation and the Sustainable Banking Network.[24] To date 47 members signed the principles with endorsement of the National Bank of Cambodia and the Ministry of Environment.[25]

3.2 Specific legal form

- Cambodia does not have a separate legal definition for social enterprises. Most businesses that would fit the description of a social enterprise operate as NGOs or are registered as associations under the Law on Associations and Non-Governmental Organizations. The law aims to safeguard the right to establish associations and non-government organizations in Cambodia.

3.3 Fiscal incentives (demand)

- As per the Law on Associations and Non-Governmental Organizations, under which most of the social enterprises which are registered operate, NGOs and associations are exempt from paying value added tax and revenue tax.[26] Multiple social enterprises in the country do not officially register their businesses under any legal form. Often, the social enterprises that are most in need of the benefits of this policy are not eligible, due to the fact that they are not yet formally registered.[27]

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[1] We thank Ratana Phurik-Callebaut, CFA, Private Sector and Investment Specialist, for her assistance and support in developing this country assessment.

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[4] Lyne et al. (2015). Social Enterprise in Cambodia: An Overview. Retrieved from www.researchgate.net/publication/279362354_Social_Enterprise_in_Cambodia_An_Overview.

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[8] See www.uncdf.org/article/3385.

[9] Ibid.

[10] See www.uncdf.org/cambodia.

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[15] See www.uncdf.org/local/cambodia.

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[21] ESCAP (2019). United Nations launches project to boost women's entrepreneurship in Cambodia. Retrieved from www.unescap.org/news/united-nations-launches-project-boost-women-s-entrepreneurship-cambodia.

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[27] Source: interview.

A5 China[1]

Context

A diverse set of participants constitute the current pool of impact investors in China. These include from private foundations, government-backed agencies, dedicated impact investment or venture capital funds.

With the motivation to give back to society, establish a family legacy and receive tax benefits, the rapidly growing pool of philanthropists is becoming more strategic and transparent in its charitable contributions. They have established foundations or charitable trusts for environmental, social and governance (ESG) related investing. The top 100 philanthropists in China donated $3.3 billion between April 2017 and March 2018, a 33 per cent increase from the previous year.[2] Given the potential that impact investing holds, several local municipal governments have taken steps to drive social enterprises and impact investments in their jurisdictions, including the governments of Shanghai, Shenzhen, Dongguan, Nanjing, Suzhou, Ningbo, Futian, Shenzhen, Chengdu and Beijing.[3]

Amid growing global climate and environmental concerns, China has been increasing the scope of impact investment policies and related legal frameworks. Its push to develop green finance started in 2015 with the establishment of the Green Finance Committee under the People's Bank of China. The Government aims to raise $1 trillion in green bonds through private participation to fund its environmental goals. The Government also launched Green Credit Policy to provide capital to companies for adopting environmentally sustainable approaches in their businesses. Among others things, it assisted in directing substantial capital for sustainable practices through issue of green bonds and 'panda bonds'.[4,5] Green bond issuances in China have grown from zero before 2015 to a cumulative value exceeding $80 billion in mid-2018.[6] The Government identified seven key sectors, which include clean energy, environmental protection and pollution prevention. Enabling guidelines and reforms (such as higher tax and higher borrowing rate for polluting industries) by the China Securities Regulatory Commission, the National Association of Financial Market Institutional Investors and the National Development and Reform Commission supplemented the policy.

Estimates indicate there are at least 1,700 self-identified social enterprises in China.[7] Economic growth has led to emergence of a new set of social challenges and the government focus has been shifting from direct provision of social services to subvention or subsidy of services contributing to the increase in number of social enterprises.[8] Most of the social enterprises tend to be clustered around Shanghai and Beijing.[9]

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**Educational programmes**		**Capacity-building**
	Social Influence Investment Research (Futian)		CIDC, 2018
	Peking University, CEIBS, China Global Philanthropy Institute and the Cheung Kong Graduate School of Business		
Market participant	**Access to capital**		**Impact in procurement**
	Futian Social Impact Fund		Government Procurement Law
	One-time cash support in Futian for joining UN Global Compact or UN PRI		
Market regulator / legislator	**Fiscal incentives**		**Specific legal form**
	Charity Law, 2016		Certification system in Beijing, Chengdu and Shunde
	ONGO Law, 2017		**Fiscal incentives**
	Temporary Regulation on Charity Organizations Investment Activities to Preserve and Increase Assets		Environmental Protection law
	Customized fiscal incentives offered in Futian		
	GCP and GFS		
	Impact reporting standards		
	UNPRI implementation		
	Retail impact product		
	GCG		
	Impact reporting standards		
	AMA ESG-oriented guidelines 2018; PBoC, CSRC, NAFMII and NDRC Green Bond guidelines; Green Credit Statistics System		

1 Government as market facilitator

The initiatives to green the economy have born fruits in China as evidenced by the rapid increase in green bond issuance. This is complemented by several ongoing capacity development and educational initiatives for different types of entities.

1.1 Capacity-building

- The People's Bank of China (PBoC) and International Monetary Fund (IMF) established the China-IMF Capacity Development Center for government officials in 2018. The Center aims to provide capacity development support within China, as well as across countries associated with the Belt and Road Initiative.[10] The support includes educational courses on inclusive growth, financial inclusion, gender budgeting and vulnerability diagnostics. These courses equip policymakers with the requisite tools to help develop policy ecosystems for markets, with a focus on social and environmental outcomes.

- Government-led networks, such as the China Charity Alliance, organize training sessions around policy and regulations, and business-side issues, such as sector standards for the philanthropic sector. The Alliance promotes international cooperation and capacity-building of the domestic charitable entities. Regarding the impact sector in particular, the Alliance regularly promotes impact investing at its annual summits and helps identify competitive investees.[11]

1.2 Educational programmes

- There are several academic centres and programmes for teaching and researching philanthropy and social investment. Prominent among those are the Centre for Civil Society Studies at Peking University, the China Global Philanthropy Institute and the Cheung Kong Graduate School of Business.

2 Government as market participant

Green procurement has been in place in China since 2002 while it has been expanded and modified over the years. Since 2017, Futian district has launched multiple initiatives to provide support to impact oriented organizations.

2.1 Access to capital

- The Futian district government has announced that it would support the establishment of a social impact fund. Through this special fund, financial support would be provided for enterprises in the field of public welfare ventures in order to support provision of social services. The government also announced financial support, including RMB 30 million ($4.5 million)[13] in 2018, for professional training and the encouragement of innovation with greater social impact.[14]
- In Futian district, a one-time support of CNY 50,000 (approximately $7,000) is provided to enterprises and financial institutions that have joined the United Nations Global Compact and of CNY 100,000 (approximately $14,000) to enterprises and financial institutions that have joined the "United Nations Principles for Responsible Investment" and of CNY 200,000 (approximately $28,000) to financial institutions joining the "Equator Principles".[15] The annual total support is adjusted annually based on actual conditions. By joining these networks, organizations commit to embed social and environmental considerations in their operations. Under Futian district's social investment initiative, social impact innovation projects that are supported by other special funds at the national, provincial and municipal levels, would receive up to 50 per cent of the funds received by these projects from other sources, up to a maximum of CNY 1 million (approximately $140,000).

2.2 Impact in procurement

- The Government has launched a series of "green" procurement policies which were put into force since the implementation of the Government Procurement Law (2002). Green purchasing list is an important method in China's green public procurement. The green purchasing list consists of two parts: the environment labelling product public purchasing list and the energy-saving product public purchasing list. The guidelines for the former, mandate every agency relying on government budget to give preference to environmental labelling products and to not to procure products that are harmful to the environment and human health, while those for later are aimed at promoting energy saving and efficiency and also raising the public consciousness about resource, protect the environment, and promote the sustainable development.[16]

3 Government as market regulator

Green financial products have regulatory recognition and can act as a replicable outline to establish impact products.

3.1 Impact-focused investment regulation

- By the end of 2018, a total of 18 Chinese institutions had signed the United Nations Principles of Responsible Investing. This includes 13 investment managers and seven mutual funds.[17]

3.2 Specific legal form

- While there is no separate legal form for social enterprises, the governments of Beijing, Chengdu and Shunde have launched certification system and regulation for social enterprises. This certification is used for providing various forms of support such as space, human resource, funding and tax incentives.[18]

3.3 Impact reporting standards

- While there are no unified reporting standards regarding impact investing, the Asset Management Association of China introduced preliminary ESG-oriented guidelines in for listed companies in November 2018 and an indicator system to measure their ESG performance. In March 2020, the Association released its report on ESG investing in China, focused on equity and securities investments. The reports identified the investors and their practices in the market and pointed out the opportunities and constraints for the development of ESG investing in China.[20,21,22]
- PBoC, China Securities Regulatory Commission, National Association of Financial Market Institutional Investors and National Development and Reform Commission have issued multiple guidelines encompassing green bond issuance, development, role for non-financial enterprise and bond's product catalogue.
- China established the Green Credit Statistics System for information disclosure by banking institutions on green credit portfolios. These guidelines include the following principles: standards for identification of qualifying green assets and projects; credible independent review and certification; systems for tracking and reviewing the value of underlying assets or projects; use of issue proceeds only towards qualifying 'green projects'; and reporting and disclosure requirements including underlying value, funds allocation or environmental impact.
- Starting with issuance of green bond guidelines by PBoC in 2015, a series of regulations have been introduced covering different green bond issuer types. These include those by China Securities Regulatory Commission for exchange-traded corporate green bonds, by National Development and Reform Commission for public-sector issuers, by National Association of Financial Market Institutional Investors for green note by non-financial enterprise. The regulations provide clear criteria for use and management of proceeds and reporting.[23] The launch of official guidelines has been a major driver of green bond issuances. China is also increasingly aligning its green bond norms as per international standards and definitions.[24]

3.4 Fiscal incentives (supply)

- The Charity Law and Overseas Non-governmental Organization Law allow investment in social enterprises and non-governmental organizations for positive social and environmental outcomes.[25] Charity Law has issued intent to provide tax incentives for social organizations involved in private and public philanthropy. It also opens the doors for social organizations to participate in the impact investment sector.[26,27]
- Ministry of Civil Affairs of China issued the "Temporary Regulation on Charity Organizations Investment Activities to Preserve and Increase Assets" on 31 October 2018. The regulation has allowed charity organizations to delegate its assets to fund management companies to invest. It was expected to enhance the funds available for social investments. Despite the regulation has been effective since 1 January 2019, it is temporary, and it is expected that it will become permanent in case the results meet the expectations.[28]
- The government of Futian district is the first local government to offer fiscal incentives, with Beijing following by launching a comparable initiative thereafter.[29] enterprises, financial institutions, social organizations and related intermediary organizations that are recognized by the district government to have a significant and critical role in agglomerating social investment resources or improving the ecosystem chain, are offered custom package of incentives, in accordance with the "one case one discussion" method. Specifics of criteria for selection and the potential bouquet of incentives, however, have not been made public.
- Green Credit Policy, released in 2007, was the first policy statement focused on green financing and was jointly issued by the China Banking Regulatory Commission, PBoC and the Ministry of Ecology and Environment.[30] Subsequently, green credit and green financial system guidelines were issued in 2012 and 2015

respectively. These guidelines directed banks to increase lending for innovative and green businesses with sound commercial viability. Green Credit Policy guidelines have delegated power to local Governments and banks to decide on the size of incentives that could be extended to green businesses. It specifies three broad areas of fiscal and financial support, discounted interest rate for green loans, incentives to banks and enterprises on issuing green bonds and mechanism to recognize environmental performance in equity markets.[31,32] Jiangsu Province adopted a green credit assessment regulation encouraging banks to offer preferential interest rates to those enterprises which are certified as being “Green”. Furthermore, under the Green Credit Policy, the Huadu District in Guangzhou province has been designed as a Pilot Area for Green Finance Innovation. The Huanda government provides subsidies various forms of subsidies and financial support:[33,34]

- Equity investment of up to CNY 50,000 (approximately $7,000) to the enterprises that have strong technology, good industrial prospect and high growth potentials.
- Subsidy of up to CNY 1 million (approximately $140,000) to the enterprises which have already received green loan on technological and green improvement.
- Subsidy of up to CNY 1 million (approximately $140,000) to companies which has successfully issued green bonds.
- Subsidy of CNY 100,000 (approximately $14,000) to the companies which have bought green insurance.

▲ China Banking Regulatory Commission, in 2012, issued the Green Credit Guidelines to strategically manoeuvre support to green, low-carbon and recycling economy. These Guidelines mandated banks to develop green credit product concepts; defined roles and responsibilities of Bank Boards, Senior Management and departments; mandated development of policies, systems and procedures for environmental and social risk management; and mandated banks to create mechanisms for encouraging green credit innovation; among other measures.[35]

3.5 Fiscal incentives (demand)

▲ The Environmental Protection Law of 2015 has mandated companies and businesses to include sustainability in their operations and procurement. The Government incentivizes those businesses that can prove reduced pollution through preferential policies to reward waste reduction and encourage energy saving.[36] Polluting industries are required to pay higher taxes, duties and surcharges. They also incur higher interest rates on borrowing if they do not have a green rating.

▲ China implemented its new Environmental Tax Law in 2018 which delegated power to local governments to tax polluting industries.

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[1] We thank Angela Bai (Secretary General, China Alliance of Social Value Investment) and Joy Chen (Manager International Affairs Department, China Alliance of Social Value Investment) their assistance and support in developing this country assessment.

[2] AVPN (2019). Social investment landscape in Asia: China. Retrieved from https://avpn.asia/si-landscape/country/china/.

[3] UBS (2013). China Social Enterprise and Impact Investment Report.

[4] Panda bond is a Chinese renminbi-denominated bond from a non-Chinese issuer, sold in the People's Republic of China

[5] Huanbao World (2019). 2018 China Green Bond Evaluation and Certification Practice Analysis (in Chinese). Retrieved from www.huanbao-world.com/green/lsjr/109534.html.

[6] See https://avpn.asia/si-landscape/country/china/.

[7] AVPN (2019). China Social Enterprise and Social Investment Landscape Report 2019. Retrieved from www.cseif.cn/file/download/id/4aa10a70d6332a2d7efe233ee03328db.

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[11] Source: Interview with Chen Zhuoya

[12] Shenzhen Daily (2019). Futian to build 'green' finance innovation center. Retrieved from www.szdaily.com/content/2019-01/04/content_21325088.htm.

[13] This snapshot uses the exchange rate $1 = CNY 7.09 of 23 March 2020.

[14] See https://avpn.asia/si-landscape/country/china/.

[15] Under Article 10 of "Futian District's Support Measures for Building a Socially Influential Highland".

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[18] Source: Interview with Chen Zhuoya.

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[20] Source: Interview with Chen Zhuoya.

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[26] International Center for Not-For-Profit Law (n.d.). The Charity Law. Retrieved from www.icnl.org/research/library/files/China/1_ChinaCharity2016.pdf.

[27] Source: Interview with Chen Zhuoya.

[28] Ibid.

[29] Ibid.

[30] International Finance Corporation (2018). Sustainable Banking Network: Country Progress Report China. Retrieved from http://documents.worldbank.org/curated/en/703201520918257947/pdf/124200-WP-CN-ENGLISH-SBN-Country-Progress-Report-China-PUBLIC.pdf.

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[32] Notice of the CBRC on Issuing the Green Credit Guidelines.

[33] Source: Interview with Chen Zhuoya.

[34] Guangzhou Green Financial Street (2017). Measures to Support Green Finance and Green Industry Innovation and Development in Huadu District, Guangzhou (in Chinese). Retrieved from www.gdlsjr.com/page172?article_id=614.

[35] Notice of the CBRC on Issuing the Green Credit Guidelines.

[36] Source: Interview with Chen Zhuoya.

A6 India[1]

Context

India boasts of a robust and growing impact investing market, with cumulative impact investment deployed in over 500 social enterprises between 2010 to 2019 standing at $10.5 billion.[2,3] The average deal size, i.e. the average amount of investment in a social enterprise, grew from $7.6 million in 2010 to $18 million in 2019,[4] indicating that social enterprises are maturing and achieving scale. Impact investing in India has also attracted interest from conventional venture capital and private equity funds. On an average impact investors have invested in about 75 per cent of the deals since 2010 (including club deals with traditional venture capital and private equity funds).[5] In terms of sectors, microfinance and energy have received major share of impact investments. However, sectors such as agriculture, education, health care and affordable housing have started garnering investor interest in the recent years.

The Government has a large number of policies and programmes targeting specific sectors and types of businesses. However, there has been only relatively limited recognition of social enterprises or impact investing in policies. Despite this, the sector has experienced a robust growth due to the large unmet need. In some cases, policies for other sectors (e.g. those for rural entrepreneurship) have had trickle-down effect. The policies and regulations which have made it easier to invest have benefited impact investing activities. However, India still has huge unmet need. Policies which specifically support impact investing could create opportunities for private players to fill the gaps.

India has also been a part of the Global Steering Group for Impact Investing. The India National Advisory Board, i.e. Impact Investors Council, has been working with policymakers and other major stakeholders to create a favourable impact investing environment.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator		**Impact stock exchange**	**Capacity-building**
		Social Stock Exchange	AIM
		Wholesaler	Make in India
		Aspire Fund	
		India Aspiration Fund	
		Fund of Funds for Startups	
		IIIF	
		Samriddhi Fund	
Market participant	**Access to capital**		**Impact in procurement**
	CSR Rules, 2014		ZEDD
	PMMY		Procurement policy, 2019
	NABARD		
	Women Livelihood Bond		
	Start-up India Scheme		
Market regulator / legislator	**Fiscal incentives**		**Specific legal form**
	AIF Tax pass through		AIF Regulations, 2012
			Fiscal incentives
			No tax scrutiny for startups
	Impact reporting standards		
	Green Bond Guidelines		

1 Government as market facilitator

Government initiatives have fostered the overall entrepreneurship ecosystem. Some of the initiatives have also support the demand side, i.e. social enterprises. The Government has expressed the intent to create a social stock exchange for social enterprises.

1.1 Capacity-building

- Atal Innovation Mission is a government-run scheme, which provides technical and infrastructure assistance to innovative start-ups, specifically those who aim to generate positive social and environmental outcomes. It supports impact businesses to establish an incubation centre with financial support from the Government. These incubators are established in the government-run premier educational institutes such as Indian Institutes of Technology and Indian Institutes of Management. Under the Atal Innovation Mission, Atal Tinkering Labs are established in primary and secondary educational institutes to provide technical and financial support to young entrepreneurs. For example, through Atal Community Innovation Centre, the Government provides assistance up to INR 25 million (approximately $335,000)[7] to start-ups in underserved or unserved regions of the country.[8] The design of Atal Innovation Mission encourages new innovative ventures to come up. However, scaling of these ventures has not received enough support. One of the reasons for this is that it does not include any mechanisms for matching innovations with potential investors.[9]
- The Make in India agenda, adopted in 2014, focuses on growth of home-based businesses and start-ups.[10] Under the broad ambit of the policy, the entrepreneurship ecosystem has become more vibrant. The Government released the Startup Action Plan in 2016. It aims to further strengthen the ecosystem

for start-ups, to drive sustainable economic growth and generate employment opportunities. It provides various kinds of support such as legal support, funding support, relaxed norms, tax exemption and incubation. More than 30,000 start-ups have been certified under this plan and are enjoying tax exemptions, and 264 have received funding support.[11] However, the impact on social entrepreneurship and impact investing is not explicit despite that several target sectors (e.g. tourism, agribusiness, and wellness) of the programme include those in which social enterprises operate.

1.2 Wholesaler

- The Small Industries Development Bank of India is focused at financing and promotion of micro, small and medum-sized enterprises (MSMEs). After the Alternate Investment Funds (AIF) guidelines (details in section 3(a)(i)) were enacted in 2012, it floated three fund of funds (Fund of Funds for Start-ups, Aspire Fund and India Aspiration Fund) to promote MSMEs and start-ups. Some of these funds mandate positive social outcomes. For instance, the Aspire Fund promotes innovation, rural industry, and entrepreneurship, and is aimed at creating new jobs, reducing unemployment, facilitating district level economic development and innovative business solutions for unmet social needs, and has a tenure of six years for INR 3.1 billion (approximately $42 million).[12]
- The National Innovation Council and the Ministry of Micro, Small and Medium Enterprises jointly created the India Inclusive Innovation Fund in 2014.[13] The fund's objectives were to support enterprises which support India's population in poverty, balance social and financial returns, and focus on employment.[14] The Government committed 20 per cent of the initial fund size of INR 5 billion (approximately $67 million). The rest is expected to come from Indian public sector enterprises, banks and contributions from private investors, corporates and investment firms.
- Samriddhi Fund, launched by the Small Industries Development Bank of India, is a social venture fund which invests in social enterprises across eight low income States of India. The fund size is almost INR 4.3 billion (approximately $5.8 billion) which has been contributed by the Department for International Development of the United Kingdom, Small Industries Development Bank of India, Life Insurance Corporation of India and United India Insurance Company Limited, among others.[15] As of April 2020, the fund had invested in 22 companies.[16]

1.3 Impact stock exchange

- In the Union Budget 2019, the Government announced a decision to set up a 'Social Stock Exchange'. The Exchange will list social enterprises and voluntary organizations working towards achieving better social outcomes. It is proposed that these enterprises would be able to raise funds as equity, debt or as units like a mutual fund.[17] The exchange will be regulated by the Securities Exchange Board of India, which set up a committee to collecting inputs from different categories of stakeholders, including non-governmental organizations, social enterprises and mainstream businesses in order to formalize norms for the exchange.[18] In January 2020, the committee prepared the draft norms. It was reported that the committee faced issues on valuing non-profit organizations and the discussions are continuing.[19]

2 Government as market participant

Government is actively involved in creating institutions and schemes that facilitate flow of funds for SMEs and socially responsible businesses. Initiatives have been launched to facilitate access to capital for social enterprises. There has been a successful pilot for pay-for-success mechanism (i.e. Social and Development Impact Bond), but its wide uptake is yet to be seen.

2.1 Access to capital

- Companies Corporate Social Responsibility Policy Rules, 2014, have accelerated the availability of funds for social and environmental outcomes. The Rules mandate 2 per cent of average net profits to be used to attain better social and environmental outcomes. The Government has recently also allowed funds for corporate social responsibility (CSR) to be invested in incubators which are funded by any public institution. Incubators should be focused on initiatives that generate positive social, economic and environmental impact, women's empowerment, quality education, health care, nutrition, or protection of biodiversity.[20] The rules have increased funding flows towards social and environmental sectors. However, these flows are in the form of grants as CSR funds cannot be provided as investments. Stakeholders from the impact investment community have made multiple appeals to the Government to include for-profit social enterprises as a permissible CSR expense under the rules. However, amendments to the rules are still awaited.

- Pradhan Mantri MUDRA Yojana, a scheme launched in April 2015, provides loans of up to INR 1 million (approximately $134,000) to the non-corporate, non-farm small and microenterprises. These loans are classified as "*MUDRA*" loans under the scheme. They are provided by commercial banks, regional rural banks, small finance banks, microfinance institutions and non-banking financial institutions. The borrower can approach any of these lending institutions or apply online through a centralized portal.
- National Bank for Agriculture and Rural Development (NABARD) is a government development bank for fostering rural prosperity. Through NABARD the Government provides credit assistance for a portion of the total project cost undertaken in a rural area. Projects should be aimed at enhancing capital investment, sustained flow of income and employment to marginalized and poor households. Further, NABARD also runs a capital investment subsidy scheme for commercial production units for organic and biological inputs. The scheme offers up to 33 per cent capital subsidy to commercial units.[22]
- Through its Standup India scheme, the Government facilitates loans of up INR 10 million (approximately $134,000) to women entrepreneurs or those from socially marginalized communities. Existing banks are required to extend these loans, while the Government provides credit guarantees. As of November 2019, almost 80,000 loans were sanctioned.[23]
- The Small Industries Development Bank of India is working with the World Bank and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) to launch the 'Women Livelihood Bond' – a low cost impact bond to provide credit to women living in poverty for entrepreneurial activities in sectors such as agriculture, food processing, services and manufacturing. The funds raised through this bond would be lent at an interest rate of 13 per cent or less per annum – much lower than existing costs.[24,25]

Private sector-led outcome commissioning in India

Educate Girls Development Impact Bond (DIB), was a pay by results mechanism launched in 2015 to improve the enrolment rate and quality of education for 15,000 rural schoolgirls in the Indian state of Rajasthan. The DIB promised to pay back the investor, i.e. UBS Optimus Foundation, the original investment amount plus extra returns if Educate Girls (the organization responsible for service delivery) delivered the pre-agreed targets. By 2018, the DIB achieved results above its target – 116 per cent of the enrolment target and 160 per cent of the learning target. UBS Optimus Foundation recovered its funding of $270,000 plus a return of 15 per cent. Following this success, the Quality Education India DIB was launched in 2019. It raised $11 million to pay for improved learning outcomes among primary school children in 600 schools in the states of Delhi and Gujarat. Once again, the UBS Optimus Foundation provided the upfront capital with a number of other private investors providing further capital.

Source: Devex (2018). The Educate Girls DIB exceeded its goals: How did they do it and what does it mean? Retrieved from https://www.devex.com/news/the-educate-girls-dib-exceeded-its-goals-how-did-they-do-it-and-what-does-it-mean-93112.

2.2 Impact in procurement

- Under the Make in India policy, the Government has launched environmentally sustainable certification for SMEs. Zero Defect and Zero Effect (ZED) certification are based on manufacturing excellence (zero defects in the products) and social and environmental sustainability (zero negative social and environmental effect).[26] ZED certifications are extended through a third party certifying agency.[27] Fiscal and non-fiscal benefits are extended, by State Governments and banks, to ZED certified businesses.[28] For example, the State Bank of India and Yes Bank provide concessions on processing fees and credit interest rates for ZED certified organizations. Through the government eMarketplace, ZED certified organizations are given preferential market access for public procurement.[29] At the moment, there are nearly 300 such ZED certified organizations.[30]

- With effect from 2019, all central government agencies are required to make 25 per cent of their procurement from micro and small enterprises. Out of this, at least 4 per cent of their procurement must come from enterprises owned members of marginalized communities, and 3 per cent must come from enterprises owned by women.[31]

3 Government as market regulator

Alternate Investment Fund regulations provide the legal basis for establishing social, venture and impact funds. Social funds also provide fiscal and non-fiscal incentives.

3.1 Specific legal form

- The Securities Exchange Board of India passed Alternate Investment Fund regulations in 2012 to provide legal structure for privately pooled investment vehicles. The regulation specifies three categories of alternative investment funds:
  - Category 1 includes funds which receive special incentives from the Government or areas which the Government considered socially important. SME funds, social venture funds or infrastructure funds are considered category 1. For instance, social venture funds allow merging of grant and commercial capital. However, this has left both grant makers and commercial capital providers dissatisfied. Grantmakers are concerned about cross-subsidising commercial investors, while the latter are concerned if the profit commitment is compromised.[32] Total funding commitment for category 1 stood at INR 388 billion (approximately $5.2 billion) as on 31 December 2019. Out of this commitment, INR 18 billion (approximately $241 million) was for social venture funds. Nearly one third of this social venture fund commitment has been invested.[33]
  - Category 2, private equity or debt funds, include residual funds and is much less restrictive as compared to other fund structures and is widely used for venture capital and private equity investments, some of which are also geared towards impact investments. Total funding commitment for category 2 stood at INR 2,608 billion (approximately $35 billion) as on 31 December 2019. Out of this sum, INR 139 billion (approximately $1.9 billion) has been invested.[34]
  - Category 3 funds operate to maximize short-term gains and does not hold any concessions. These funds invest in liquid and listed equites and hedge funds. Funds are significantly flexible and could be leveraged to establish credit guarantee funds for SMEs. The total funding commitment for category 3 stood at INR 481 billion (approximately $6.5 billion) as on 31 December 2019. Out of that, INR 357 billion (approximately $4.8 billion) has been invested.[35]

3.2 Impact reporting standards

- In 2016, the Securities Exchange Board of India issued guidelines for issuance and listing of green bonds. The guidelines are based on contribution targets (i.e. Intended Nationally Determined Contribution) of the country towards climate change. Overall green bonds will be governed by the Board's existing regulations for debt securities. However, the board has defined what would constitute as green bonds. Issuers of green bond must disclose projects where the proceeds from green bonds were used. Eligible projects for green bonds include renewable and sustainable energy, clean mass transportation, sustainable water and waste management, climate change adaption, energy efficiency, sustainable land use and biodiversity conservation.[36] The Securities Exchange Board of India has adopted International Capital Market Association, Green Bond Principles for monitoring and disclosure requirements of green bonds. Among emerging markets, India has been the second largest issuer, next only to China, of green bonds between 2012 and 2018. Total green bond issuance in India during this period were $7.7 billion.[37]

3.3 Fiscal incentives (supply)

- Alternate Investment Fund guidelines allow tax pass through status to category 1 and category 2 funds, thus allowing the capital gains to be levied at the investor level rather than the fund level. This provides more autonomy to investors on managing their portfolios.[38]

3.4 Fiscal incentives (demand)

- Budget 2019–2020 has modified the Alternate Investment Fund guidelines to increase demand of impact capital. Start-ups have been exempted from any regulatory scrutiny of valuation of their share price when raising capital – hence not taxing the premium in shares issued.[39]

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[1] We thank Ranjna Khanna (Director, Impact Investors Council; India NAB) and Swasti Saraogi (Senior Manager, Impact Investors Council; India NAB) for their assistance and support in developing this country assessment.

[2] The $10.5 BN is not inclusive of renewable energy enterprises (only refers to power plants that generate energy using renewable energy sources).

[3] Source: Input from Impact Investors Council.

[4] Ibid.

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A7 Indonesia[1]

Context

Impact investing has grown substantially in Indonesia over the past decade, with intermediaries and accelerators playing an important role of connecting social enterprises with international impact investors. Compared with other impact investing markets in South-East Asia, Indonesia has the largest number of active investors, amount of impact capital deployed and number of impact deals between 2007 and 2017.[2] Private impact investors, including at least 22 fund managers, several family offices and one impact-focused angel network, have deployed $149 million across 58 deals. Six development finance institutions have deployed over $3.6 billion in impact capital through 67 direct deals.[3] In 2018, the Ministry of Finance issued the first ever sovereign green sukuk[4] for $1.25 billion in 2018 and a second issuance of $750 million in 2019 (both with a five-year maturity).[5] To make finance for sustainable projects in Indonesia more easily accessible, the Ministry of Finance issued its first domestic retail green sukuk for a total of $107 million in November 2019.[6]

In 2005, Indonesia adopted a 20-year National Long-Term Development Plan to set the agenda for the socioeconomic development of the country, consisting of four medium-term plans of five years each. The medium-term plan for 2020–2024 remains largely focused on infrastructure development, with a particular emphasis on green and sustainable infrastructure and maritime economy. Recognizing its limited funds for achieving green growth and development goals, the Government initiated a Masterplan for Acceleration and Expansion of Indonesia's Economic Development. It is an integral part of the medium-term plan, and it provides directives to improve conditions for foreign and domestic private investments toward an innovative and sustainable economy.[7]

Presently, there is no distinct legal structure or definition for social enterprises in Indonesia,[8] yet the term appears in multiple government plans and policy drafts. Despite the lack of official recognition, there are an estimated 342,000 social enterprises in Indonesia, when informal entities are included. The previous medium-term plan (2015–2019) targeted the development of social enterprises as means to tackle socioeconomic problems, especially poverty related, to cultural factors and not sufficient business opportunities.[9] The Government has not directly made funding available to social enterprises. They are able to access existing schemes for other types of enterprises, but are limited by their lack of awareness of these options, as well as limited capacity to become investment-ready or investment suitable.[10]

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**Dedicated central unit**		
	BAPPENAS (Minsitry of National Development Planning)		
	National strategy		
	National Mid-Term Development Plan (RPJMN) 2020-2024		
	Educational programmes	**Impact stock exchange**	**Capacity-building**
	Local Enablers, Universitas Padjadjaran	OJK Regulation No. 60 on Green Bond Issuance and Terms, 2017	Youth Co:Lab
	Social and green entrepreneurship departments at state universities		
Market participant	**Access to capital**		
	Indonesia Climate Trust Fund		
	LLC Law, 2007		
	Bank of Indonesia regulation to increase credit for MSMEs, 2012		
Market regulator / legislator	**Fiscal incentives**		**Specific legal form**
	Environment and Climate Change Law, 2009		Ormas Law, 2013
	Retail impact products		Law No. 28 on foundations
	Republic of Indonesia sovereign green sukuk		
	Reupblic of Indonesia retail green sukuk		
	Impact reporting standards		
	Law No. 25/2007 Concerning Capital Investment		
	Impact reporting standards		
	Republic of Indonesia Green Bond and Green Sukuk Framework		
	OJK Sustainable Finance Umbrella Policy, 2017		
	Indonesia Sustainable Finance Initiative		

1 Government as market facilitator

Indonesia's long-term development plan provides necessary legislative support for growth of social enterprises.

1.1 National strategy

- Indonesia's National Mid-Term Development Plan 2020–2024 is the fourth and final phase of Indonesia's Long-Term Development Plan 2005–2025. The medium-term plan provides all ministries and government agencies with a framework to align their respective strategic initiatives. While the full details of the current medium-term plan are not yet released (as of January 2020), it will likely continue the strategy from the 2015–2019 phase and focus on principles of a green economy, inclusive growth, sustainable use of natural resources, environmental protection, disaster mitigation and tackling climate change.[11,12] It specifically refers to the Sustainable Development Goals (SDGs) and aims to harmonize different development agendas. The previous medium-term plan included a strategy for the development of enterprises to address social and environmental issues and encourage economic growth through strengthening agriculture, fisheries, mining and manufacturing sectors, MSMEs, as well as enhancing employment opportunities.[13]

1.2 Dedicated central unit

- Ministry of National Development Planning (BAPPENAS) coordinates all SDG-related initiatives in the country.[14] It sets the agenda for national efforts towards implementing SDGs, including capacity-building, SDG financing and monitoring. BAPPENAS collaborates with the JAPFA Foundation[15] to encourage entrepreneurship among vocational school graduates. The agency has also established a project titled SDG Financing Hub to coordinate government and non-government finances (e.g. through blended finance, public-private partnerships) for SDG-related projects.[16]

1.3 Capacity-building

- The Youth Co:Lab, established by the United Nations Development Programme (UNDP) and Citi Foundation, is a capacity-building lab for young social entrepreneurs at pre-seed or seed stage. In collaboration with Ministry of Tourism and Creative Economy, the initiative engages youth from rural and underserved areas, located outside of the main island of Java, to support commercially viable social innovation. Capacity development programmes are fully funded under the initiative.[17] In addition, the Youth Co:Lab hosts annual national dialogues for government, youth entrepreneurs and other key ecosystem stakeholders to strengthen collaboration and co-develop policy recommendations for the promotion of youth social entrepreneurship. The dialogues are still ongoing and have already led to concrete policy recommendations for the Government, which are yet to be implemented.[18]
- Other non-governmental initiatives on capacity-building are delivered by UNDP, the British Council, Ashoka, Instellar, Loving the Nation's Children Foundation (*Yayasan Cinta Anak Bangsa*) and Angel Investment Network Indonesia.

1.4 Educational programmes

- The Local Enablers platform was founded by Universitas Padjadjaran to assist early stage social entrepreneurs. It provides a platform for people to share their knowledge on design thinking, engineering and social enterprises. The university offers lectures and an incubation programme for social entrepreneurs to develop social enterprises. The university also extends community empowerment programmes by offering support through consultations and incubation programmes.[19]
- State universities offer social entrepreneurship programmes, in collaboration with university business departments and civil society. Notable programmes include: Sanata Dharma University Green Entrepreneurship Training, organized by the university's Social Business and Entrepreneurship Development Department. The programme builds capacity of young entrepreneurs to develop profitable and productive economic enterprises, as well as positive social and environmental outcomes. The Bogor Agricultural School offers course on social entrepreneurship. The curriculum covers ecosystem actors, social entrepreneurial business structures, work mechanisms and how to start and manage social enterprise.

1.5 Impact stock exchange

- In December 2017, the Financial Services Authority (Otoritas Jasa Keuangan) issued a regulation on the issuance of green bonds to promote fundraising for green projects. This decision paved the way for a regulated exchange of capital dedicated to funding green and impact projects through the Indonesian Stock Exchange (IDX).[20] In 2018, the IDX became the first stock exchange in Southeast Asia to join the Climate Bonds Initiative (CBI), with the aim of increasing finance for low-carbon assets and sustainable infrastructure.[21]

2 Government as market participant

2.1 Access to capital

- Under BAPPENAS, the Indonesia Climate Change Trust Fund seeks multiples sources of funding to finance policies and projects that tackle the challenges of climate change. It is the only trust fund in Indonesia with a government mandate. It integrates climate change issues into national, local and provincial government development plans. The Trust Fund aims to reduce greenhouse gas emissions in Indonesia by 29 per cent by leveraging national funds and by a further 41 per cent through international support by 2030. As of 2020, approximately 76 projects have been funded in 99 locations, including land-based mitigation, adaptation and resilience, energy and sustainable marine biodiversity.
- Law No. 40 (2007), article 74 mandates that companies conducting business with natural resources invest in corporate social and environmental responsibility activities. Budgets for corporate social responsibility (CSR) activities are calculated relative to the company's operational costs. Companies subject to this law are required to detail implementation costs in their annual business plans. Those that do not put this into practice will be liable to sanctions "in accordance with provisions of legislative regulations".[22] While several sector-specific acts were passed as a result of this (e.g. Coal and Mineral Mining Act, Forestry Act), there is a lack of specific guidelines for companies to use as a reference on implementation. Thus, some companies report having established only minor or "tentative" CSR programmes.[23]
- In 2012, the Bank of Indonesia issued a regulation for banks to increase the share of loans to MSMEs to 20 per cent of their total loans by 2018. The policy focuses on export-oriented and low-income SMEs. Other schemes, such as the rate subsidized credit programme and Business Credit for People (also known as Kredit Usaha Rakyat – KUR), offer loans to small, rural, non-bankable and social enterprises.[24]

3 Government as market regulator

3.1 Impact-focused investment regulation

- Law No. 25/2007 concerning capital investment mandates every investor to meet social obligations.[25] It also requires companies involved in the business of natural resources to invest in better social and environmental outcomes.
- The Bank of Indonesia's regulation of 2012 mandates banks to direct at least 20 per cent of their credit portfolio to small and medium-sized enterprises[26] and offers credit at subsidized rates to rural and non-bankable enterprises.

3.2 Specific legal form

- Under Law No. 17 of 2013 ("Ormas" law), mass organizations are non-profit and voluntary organizations with separate legal status. Organizations registered under the aforementioned act dispense their activities in a manner that generate positive social outcomes and contribute to empowerment of the public. These organizations can be domicile or registered by a foreign entity. Mass organizations are eligible to raise funds through corporate/individual aid, philanthropy and business activities.
- Law No. 28 allows foundations to be registered to further social, religious and humanitarian causes. A foundation is a non-membership based legal entity, established with control of its assets and intended as a vehicle for attaining social, religious or humanitarian fields.[27]

3.3 Impact reporting standards

- Indonesia issued Green Bond and Green Sukuk Framework and guidelines that take into approach mitigation, adaption and maintaining of biodiversity.[28] Project selection and evaluation are based on established indicators. Annual reports are published by the Ministry of Finance, detailing project descriptions, allocation of funds to projects and estimated social and environmental impact. These reports are audited by an independent third party to provide legitimacy to the impact numbers.
- Under the 2017 Sustainable Finance Umbrella Policy, the Financial Services Authority laid out impact reporting regulations on the issuance of green bonds

for financial institutions, listed companies and public companies. The regulations, which were aligned with the Roadmap for Sustainable Finance 2015–2019, aim to increase awareness of and commitment to sustainability principles. They define a green bond as funds whose proceeds are used for financing and refinancing of eligible green projects. It mandates that 70 per cent of the proceeds be used for environmental-based business activities. An assessment, including details on the use of proceeds and estimated positive environmental impact, must be conducted by a third-party environmental and published in annual reports. All other provisions, such as issue of prospectus, dissolution and sanctions are based on the Financial Services Authority Regulation.[29] The policy was made mandatory for larger banks by 2019 and a later deadline has been given for smaller financial institutions.

- Eight national banks of the country launched the Indonesia Sustainable Finance Initiative with World Wildlife Fund Indonesia. It serves as an open platform for public and private financial institutions, as well as other relevant industry sectors, to share information on sustainable financing practices and procedures.[30] Furthermore, the Government works on optimizing the budget management through the "climate budget tagging" mechanism, which tracks the governmental spending on climate related issues and their performance through impact measurement.[31]

3.4 Fiscal incentives (supply)

- In 2018, the Ministry of Finance, with guidance from UNDP, developed Indonesia's green bond and green sukuk framework. It outlines plans to finance and re-finance eligible green projects through the issuance of green bonds and green sukuk. The Government of Indonesia issued a $1.25 billion green bond in line with Islamic finance requriements for the global market in March 2018. In January 2019, the Government issued a second $750 million green bond with a five-year maturity, which was oversubscribed by 3.8 times, showing strong interest and support for green finance options.[32] Projects eligible for investment under the green bond framework must promote a transition to a low-emission economy and climate-resilient growth. They fall within the sectors of renewable energy, public transport, low-carbon buildings, water and waste management and green tourism. Projects submitted for investment are selected by the Ministry of Finance from the climate budget tagging system and validated by the Ministry of Environment and Forestry.[33]
- In November 2019, the Government of Indonesia issued the world's first retail green sukuk of $107 million for the domestic market to issue green sukuks directly to individual investors through an online platform. To encourage buy-in from younger generations, the minimum purchase value was set low at approximately IDR 1 million (equivalent to $70), with a two-year maturity period. Projects eligible for investment include renewable energy generation, research and development of energy-efficient products, waste management and sustainable agribusiness.[34]
- The Ministry of Finance, through the Financial Services Authority is making efforts to promote the issuance of more thematic bonds, such as green bonds, on the municipal and private sector level, as well as SDG-oriented bonds on the national level. Subsequently, the number of sustainable bonds which go beyond green finance is steadily growing. For example, PT Sarana Multi Infrastruktur (Persero), an Indonesian state-owned infrastructure development enterprise under the Ministry of Finance, issued an IDR 3 trillion ($70 million) green bond programme in 2018[35] to support the achievement of the SDGs. It will also publish an annual environmental impact report on the use of green bond proceeds. The reports will be audited by an independent environmental expert.[36]
- The Environment and Climate Change Law provides tax incentives for investing in greenhouse gases and harmful emissions reduction. The national and regional government can extend these incentives in the form of procurement of environmentally sound goods, environment tax or levy, environmentally sound financing institutions, trading system for waste and emissions, environmental insurance, labelling system and performance appreciation.[37]

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A8 Japan[1]

Context

Several initiatives over the years have boosted environmental, social and governance (ESG) and sustainable investing in Japan. A major push came when the two largest Japanese pension funds – the Government Pension Investment Fund and the Pension Funds Association – signed the United Nations Principles of Responsible Investing in 2015 and 2016, respectively.[2] This was followed by Act on Utilization of Dormant Deposits in 2016. It allows funds from in dormant bank accounts to be used to finance social welfare activities. The Bank of Japan has also started to engage in ESG investing, more specifically in gender lens investing, through investments in an ESG exchange-traded funds, tracking the Empowering Women Index of Morgan Stanley Capital International – Japan.[3] Japan has also floated several social impact bonds (SIBs).

While the ESG and sustainable investing movement has directed substantial capital towards environmental and governance related issues, impact investing focused on social issues remains small in comparison.[4]

In 2018, the impact capital deployed in Japan amounted to almost $3.4 billion.[5] The number of social enterprises in the country has seen a significant rise, especially after the natural disasters in 2011. As of 2015, the number was approximately 205,000, employing about 5.8 million people, and a gross added value of approximately JPY 16 trillion (3.3 per cent of gross domestic product; approximately $146 billion).[6,7] Additionally, there were approximately 51,000 non-profit organizations, which complimented the social enterprise sector. For the social enterprises in Japan, the major focus areas have been general social welfare, community building, capacity-building and empowerment, education, health care, childcare and environment.

During the Group of 20 summit in Osaka in June 2019, the prime minister, Mr. Shinzo Abe, emphasized the need to accelerating innovative financing mechanisms, including impact investment in Japan.

Japan has also been a part of the Global Steering Group for Impact Investing. The Japan National Advisory Board, i.e. Japan Social Innovation and Investment Foundation, has been working to create a favourable impact investing environment.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**Educational programmes**	**Wholesaler**	**Capacity-building**
	SIB, impact investing and social entrepreneurship research at Meiji University and Keio University	Utilization of dormant deposites and JANPIA	ETIC
Market participant	**Access to capital**		**Outcomes commissioning**
	Gender Lens Investing by Bank of Japan		SIBs (e.g. Hachioji and Kobe)
	Green Bond Guidelines		
	ETIC		
	NPO Banks		
Market regulator / legislator	**Impact-focused investment regulation**		**Fiscal incentives**
	Principles for Responsible Institutional Investors		TCTP
			Specific legal form
			The definition of Social Enterprises adopted by the Cabinet Office.
	Impact reporting standards		
	SIMI		
	Japan's Stewardship Code		

1 Government as market facilitator

Japan has passed a wholesaler law for utilizing dormant accounts. The cabinet secretariat acts as the coordinating unit for impact investment in the absence of a dedicated central unit. It also has some capacity-building programmes, which support the growth of the impact ecosystem.

1.1 Capacity-building

- Entrepreneurial Training for Innovation Communities was established in 1993 as a student organization of Waseda University, Tokyo to “develop entrepreneur-minded leaders who resolve social issues”. It provides technical and managerial support, impact evaluation and retreats, but no financial support to entrepreneurs.[8] As of 2016, 5,500 young entrepreneurs had accessed their programmes and 750 of them have become social entrepreneurs.[9]

1.2 Educational programmes

- The Ministry for Education, Culture, Sports, Science and Technology has provided grants to a consortium under Meiji University for a five-year study on SIBs. This is to conduct research on impact investment in Japan, the United States and the United Kingdom to assess the effect of impact investments on public services. More specifically, the study aims to find the impact of SIBs in the United States and the United Kingdom and suggest best practices and lessons learned for developing SIB models in Japan. Following the suggestions on SIBs for Japan by the study group, the Ministry of Economy, Trade, and Industry started a pilot programme in 2015 for health-care SIBs focusing on dementia prevention.
- Additionally, there are existing educational programmes and research projects on impact investment and social entrepreneurship, some of which include the ones

at Keio and Meiji Universities. The Ministry of the Environment has also supported the development of the ESG investment education programme under the Japan Sustainable Investment Forum.[10]

- In November 2018, the Ministry of Economy, Trade and Industry inaugurated the SDG Management/ ESG Investment Study Group, which published a report in 2019 to highlight measures that may be taken by the Government to encourage investors to commit to new long-term investments.

1.3 Wholesaler

- The Government enacted the Act on Utilization of Dormant Deposits in 2016. It allows funds in bank accounts that are inactive for 10 or more years to be used for financing social welfare activities. These funds would otherwise lie unutilized in dormant accounts. The objective of this initiative is to provide impact capital for solving social issues especially children and youth related; livelihood issues for the marginalized population; and for development of local communities and regional economies. This was followed by establishment of Japan Network for Public Interest Activities, a general incorporated foundation to operate as the "Designated Utilization Organization" in January 2019. The disbursement of funds under the scheme was planned to begin in the second half of 2019[11] and distribute $40 million (out of the total $700 million) in the first year. This amount will be channelled through a number of sub-distributors for disbursement to social enterprises in the form of grants, loans and equity to tackle social issues that are difficult to resolve by government efforts alone.[12]

2 Government as market participant

2.1 Access to capital

- The Bank of Japan has started to engage in ESG investing, or more specifically gender lens investing, through investments in an ESG exchange-traded funds, tracking the Empowering Women Index of Morgan Stanley Capital International – Japan.[13] The bank's investments in policy-related exchange-traded funds rose by $50 billion a year, to JPY 27 trillion (approximately $243 billion) as of 31 July 2019 from JPY 21 trillion (approximately $192 billion) in 2018 and JPY 15 trillion (approximately $134 billion) in 2017. Thus, the bank's holdings of exchange-traded funds have grown to JPY 27 trillion ($243 billion), or more than 40 per cent of the cumulative holdings of exchange-traded funds in the Asia-Pacific region.[14]
- The Ministry of the Environment published the "Green Bond Guidelines, 2017" on 28 March 2017, with purpose of spurring issuances of Green Bonds and investments in them in Japan. It provides detailed guidelines on use of proceeds, project evaluation and selection process, management of proceeds and reporting against green bonds.[15] In 2018, cumulative green bond issuance stood at $9.7 billion – tenth globally.[16]
- As on 2016, Entrepreneurial Training for Innovation Communities, has facilitated loans worth JPY 260 million (approximately $2.4 million), to 45 enterprises it supported, through Seibu Shinkin and the Nippon Foundation, which are the largest credit union in the country and major charity organization, respectively.[17]
- Non-profit banks play an important role in providing impact capital. They operate as community foundations, pool funds from local residents and provide capital to social enterprises. There are many such banks but only few have been successful in enhancing access to capital for local social enterprises. Prominent examples include Mirai Bank and East Oumi Sanpo-yoshi Foundation. While the former was established in 1994 to contribute to environmental protection by providing low interest loans, the latter was established in 2017 to invest in social enterprises tackling local challenges.

2.2 Outcomes commissioning

Japan has several examples of SIBs at the local government level.

- In 2017, the cities of Kobe and Hachioji launched SIBs for prevention of chronic diabetic kidney diseases and to mitigate the effects of cancer while reducing health care costs respectively. These are examples of outcome commissioning as on successfully realising the pre-defined outcomes.

- Along these lines, the Ministry of Health, Labour and Welfare launched a SIB pilot in the same year in the areas of child abuse prevention and dementia prevention. There are 50 additional SIBs under development across the country with four SIBs in East Oumi City alone.[18]

3 Government as market regulator

The Principles for Responsible Institutional Investors has set a strong reporting standard for public and financing institutions in Japan. Further, there has been a successful example of reduction of greenhouse gas emissions by providing fiscal incentives.

3.1 Impact-focused investment regulation

- Principles for Responsible Institutional Investors (Stewardship Code) is a measure by the Government to urge institutional investors to incorporate sustainability in their investment decisions and to focus on the long-term growth of investee companies.[19] It encourages institutions to set policies and disclose actions taken to contribute to the sustainable growth of investee companies. The code specifies the importance of considering risks and opportunities arising from social and environmental matters. Investors are expected to conduct their actions in the spirit of the code but they define the details of what that means.[20]

3.2 Specific legal form

- The Cabinet Office of Japan used a comprehensive definition for Social Enterprises in its "A Report on the Aggregated Activity Size of Social Enterprises in Japan" in 2015.[21] This definition serves as a benchmark for identifying social enterprises. However, a separate legal form for social enterprise and impact investment has not been adopted in Japan. Social enterprises can only register themselves as non-profit organizations, associations, foundations or public interest organizations.

3.3 Impact reporting standards

- In 2016 the Social Impact Measurement Initiative was established as a multisector initiative. As of May 2017, the initiative had more than 130 members, including funds, corporations and non-profit organizations.[22] It is facing challenges in expanding impact measurement to the for-profit sector.[23]
- All the institutional investors who accept the Principles for Responsible Institutional Investors (Stewardship Code) are supposed to publicly disclose all the documents proving the fulfilment of the principles. As of December 2018, the Financial Services Agency had published a list of 239 institutional investors signing up to the code.

3.4 Fiscal incentives (demand)

- In 2010, Tokyo metropolitan government, mandated reduction of carbon dioxide from large commercial and industrial buildings to reduce greenhouse gas emissions by implementing the Tokyo Cap and Trade Program, 2010. The target of the programme was a 25 per cent and a 30 per cent reduction in baseline carbon emissions (using the year 2000) by 2020 and 2030, respectively.[24] By 2017, emissions were reduced by 27 per cent compared to base-year emissions. In April 2011, the Saitama Energy Trading Scheme was launched.

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[1] We thank Yuko Koshiba (Impact Officer, Japan Social Innovation and Investment Foundation; Japan NAB) for her assistance and support in developing this country assessment.

[2] GSI (2016). Global Sustainable Investment Review. Retrieved from www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf

[3] See www.msci.com/msci-japan-empowering-women-index.

[4] Source: Interview with Yuko Koshiba.

[5] GSG (2019). The Current State of Impact Investing in Japan 2018. Retrieved from https://gsgii.org/reports/current-state-of-social-impact-investment-in-japan/.

[6] Mitsubishi UFJ Research and Consulting (2015). A Report on the Aggregated Activity Size of Social Enterprises in Japan. Retrieved from www.npo-homepage.go.jp/uploads/kigyou-chousa-summary.pdf.

[7] This snapshot uses the exchange rate $1 = JPY 109.7 of 20 March 2020.

Contd. on next page

[8] Source: Interview with Yuko Koshiba.

[9] Entrepreneurial Training for Innovation Communities (2016). ETIC Annual Report 2015–16. Retrieved from www.etic.or.jp/english/etic_annual_en2016.pdf.

[10] Japan Sustainable Investment Forum, Sustainable Investment Survey 2018.

[11] Nippon (2017). Japan Moves to Use Dormant Bank Accounts for Socially Beneficial Activities. Retrieved from www.nippon.com/en/currents/d00298/japan-moves-to-use-dormant-bank-accounts-for-socially-beneficial-activities.html

[12] Source: Interview with Yuko Koshiba.

[13] Bloomberg (2016). The Bank of Japan's next idea is stocks that empower women. Retrieved from www.bloomberg.com/news/articles/2018-04-13/the-bank-of-japan-s-next-etf-idea-is-stocks-that-empower-women.

[14] Pensions & Investments (2019). ETF managers focusing on Asia-Pacific opportunities. Retrieved from www.pionline.com/investing/etf-managers-focusing-asia-pacific-opportunities.

[15] Ministry of Environment, Government of Japan (2017). Green Bond Guidelines 2017. Retrieved from www.env.go.jp/en/policy/economy/gb/guidelines.html.

[16] Climate Bond Initiative (2018). Japan - Green finance state of the market 2018. Retrieved from www.climatebonds.net/resources/reports/japan-green-finance-state-market-2018.

[17] ETIC Annual Report 2015–16, Entrepreneurial Training for Innovation Communities.

[18] The Current State of Impact Investing in Japan 2018, GSG.

[19] Financial Services Agency (2017). Finalization of Japan's Stewardship Code. Retrieved from www.fsa.go.jp/en/refer/councils/stewardship/20170529.html.

[20] Green Finance Platform (2014). Japan's Stewardship Code—Principles for Responsible Institutional Investors. Retrieved from https://greenfinanceplatform.org/financial-measures-database/japans-stewardship-code%E2%80%94principles-responsible-institutional-investors.

[21] A Report on the Aggregated Activity Size of Social Enterprises in Japan, Mitsubishi UFJ Research and Consulting.

[22] The Current State of Impact Investing in Japan 2018, GSG.

[23] Source: Interview with Yuko Koshiba.

[24] International Carbon Action Partnership (2020). Japan - Tokyo Cap-and-Trade Program. Retrieved from https://icapcarbonaction.com/en/?option=com_etsmap&task=export&format=pdf&layout=list&systems%5B%5D=51.

A9 Lao People's Democratic Republic

Context

The Lao impact ecosystem has yet to emerge with few policy measures directed at social enterprises or impact investors. Most social enterprises in the country operate in primary sectors such as textiles and agriculture. From 2007 to 2017, private impact investors have deployed almost $28 million and development finance institutions (DFIs) have deployed approximately 316 million in the country. More than 80 per cent of capital deployed and more than 60 per cent of deals in Laos have been in clean energy. Other most-invested sectors include financial services and infrastructure.[1]

Almost all of the ecosystem support available to social enterprises in Laos comes from impact agnostic business service providers such as Toh Lao (the first co-working space in the country), Asiastar (business consultants), Ecorner (IT and technology news) and Laos IT Business Incubation Center.[2]

There are a few regional initiatives which are available to social enterprises in Laos as well. Mekong Innovative Startup Tourism (MIST) is a project supported by the Asian Development Bank, which aims to support travel and tourism related businesses in Cambodia, Laos, Myanmar and Viet Nam. MIST provides mentorship to new ventures and investor matching services. Private impact-agnostic investors such as Emerging Market Investment's Cambodia-Laos-Myanmar Development Fund II have received funds from DFIs to provide grant capital to investee companies seeking to improve social and environmental compliance.

1 Government as market facilitator

Government provides financing broadly targeted at small and medium-sized enterprises (SMEs) through policy tools being largely DFI-funded. However, there are no policies supporting the impact investment ecosystem through the commissioning and procurement of impact products and services.

2 Government as market regulator

In order to bolster a conducive business atmosphere in the country, tax incentives are offered as fiscal incentives, however the same is broadly targeted at SMEs. However, there have been no regulatory steps that build support and recognition for the impact ecosystem.

[1] GIIN and Intellecap (2018). The Landscape for Impact Investing in Southeast Asia. Retrieved from www.intellecap.com/wp-content/uploads/2018/12/GIIN_SEAL_full_digital_webfile.pdf.

[2] Ibid.

A10 | Malaysia[1]

Context

The regulatory environment and broader investment landscape of Malaysia is quite advanced for South-East Asia. Between 2007 and 2017, $30 million in impact capital was deployed by private impact investors, while $18 million was deployed by development finance institutions, largely in the sectors of sustainable forestry and manufacturing[2]. Over the past decade, the Government has introduced several reforms and incentives to attract foreign investors. As a result, net inflows of foreign direct investment in Malaysia jumped from $114 million in 2009 to over $13 billion in 2016, making it the second highest in the region.

The Government has issued several strategy frameworks and policies and established multiple institutions aimed directly at supporting the ecosystem for social enterprise and impact-oriented investments, including the Malaysian Global Innovation and Creativity Centre (MaGIC). Furthermore, the country is a leader on the issuance of social and green bonds. In 2014, the Securities Commission Malaysia issued guidelines on Sustainable and Responsible Investment (SRI) Sukuk Framework[3] to facilitate the financing of sustainable and responsible investment initiatives. It provides an institutional framework for trading socially and environmentally responsible financial products (where funds are used for better social and economic returns along with financial returns) in the Malaysian capital market. Since the launch of the SRI Sukuk Framework, the Securities Commission has demonstrated its commitment to SRI in Malaysia through the establishment of its guidelines for SRI Funds in 2017, as well as an SRI Roadmap in 2019, both of which further the goal of creating an enabling environment for SRI and attracting investors. As of 2017, the country accounted for 30 per cent of fund assets in Asia.[4] These SRI initiatives are seen as major developments in the ecosystem for impact investing in Malaysia.

Following the launch of the SRI Sukuk Framework in 2014, Malaysia saw the issuance of its first (and, so far, only) social impact bond in 2015, aimed at improving educational outcomes in trust schools. Malaysia issued its first green bonds in 2017, following which the Securities Commission established a $1.4 million Green SRI Sukuk Grant Scheme in 2018 to incentivise issuances of green bonds.[5] Since 2017, five financial entities have signed the United Nations Principles of Responsible Investing, including Khazanah Nasional, the government sovereign wealth fund, and Kumpulan Wang Persaraan, the civil service pension fund. Though the Government has not yet issued a sovereign bond, the SRI Roadmap notes that the necessary legal frameworks are already in place for one.

Through MaGIC, the Ministry of Entrepreneur Development and Cooperatives established a Social Enterprise Accreditation scheme in 2019, with guidelines and support for eligible businesses to apply for legal certification as a social enterprise. Under the accreditation guidelines, social enterprises are also eligible for tax incentives and other benefits. MaGIC and the Agensi Inovasi Malaysia provide capacity-building, training and access to finance to social enterprises at various stages of business development.

Beyond the multitude of government initiatives and programmes, the ecosystem of intermediaries for social enterprises in Malaysia is also quite vibrant. Some of the key actors include the Global Social Enterprise Programme of the British Council, Chamber of Social Entrepreneurship Development (CSED), Tandemic, the Asian Venture Philanthropy Network (AVPN), AirAsia Foundation, PurpoSE Malaysia, iLabs at Sunway University and Monash University.[6] While there is far-reaching support available to social enterprises in Malaysia, there is a lack of targeted capacity-building for mature social enterprises with high potential to scale their businesses and positive social and environmental impact. Although social enterprises are proactively supported by the Government, the majority are still in an early stage, as the entire impact investing sector is nascent. One key challenge, which is highlighted among social enterprises, is facilitating access to finance.

Key initiatives

<table>
<tr><th>Government role</th><th>Supply</th><th>Intermediaries</th><th>Demand</th></tr>
<tr><td rowspan="10">Market facilitator</td><td colspan="3">Dedicated central unit</td></tr>
<tr><td colspan="3">Malaysian Global Innovation and Creativity Centre (MaGIC)</td></tr>
<tr><td colspan="3">National strategy</td></tr>
<tr><td colspan="3">Malaysian Social Enterprises Blueprint</td></tr>
<tr><td colspan="3">National Entrepreneurship Framework</td></tr>
<tr><td colspan="3">Sustainable and Responsible Investment (SRI) Roadmap</td></tr>
<tr><td>Educational programmes</td><td>Impact stock exchange</td><td>Capacity-building</td></tr>
<tr><td>Co-operative Education Trust Fund</td><td>Social Impact Exchange (SIX)</td><td>MaGIC social entrepreneurship accelerators</td></tr>
<tr><td>Social Entrepreneurship Centre, Universiti Malaysia Kelantan</td><td></td><td>Malaysia's Social Inclusion and Vibrant Entrepreneurship</td></tr>
<tr><td></td><td></td><td>SMA-TEGAS Digital Innovation Hub</td></tr>
<tr><td rowspan="6">Market participant</td><td>Access to capital</td><td></td><td>Outcomes commissioning</td></tr>
<tr><td>Green Technology Financing Scheme</td><td></td><td>MaGIC and AIM, under mandate of Malaysian Social Enterprises Blueprint</td></tr>
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<tr><td></td><td></td><td>Green Technology Master Plan (2017-2030)</td></tr>
<tr><td rowspan="10">Market regulator / legislator</td><td>Fiscal incentives</td><td></td><td>Fiscal incentives</td></tr>
<tr><td>SRI Sukuk Grant Scheme</td><td></td><td>Sustainable Development Financing Fund</td></tr>
<tr><td></td><td></td><td>Social Enterprise Accreditation (SEA) Guidelines</td></tr>
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<tr><td colspan="3">Securities Commission Malaysia, Sustainable and Responsible Investment (SRI) guidelines</td></tr>
<tr><td colspan="3">Malaysian Rating Corporation (MRC) guidelines on assessing green and social bonds</td></tr>
</table>

❶ Government as market facilitator

Through various national strategies, Malaysia has established institutions for the promotion and development of social enterprises, capacity-building and cross-sector collaboration, as well as a facilitative ecosystem for social and responsible investments.

1.1 National strategy

- The Malaysian Social Enterprises Blueprint is a three-year road map that describes the strategies required to accelerate the development sector. It extends support and reforms for social entrepreneurs, ecosystem and institutions.[7] The blueprint proposes to undertake capacity-building of social entrepreneurs and assist enterprises to pilot or scale solutions with potential for positive social and environmental impact. For example, MOA[8] is an online portal to support continuous learning for participants who have completed in-situ training programmes. Similarly, MaGIC Academy regularly conducts events where leaders in the space of business development, product management and growth hacking are invited to train young social innovators. The Malaysian Social Enterprises Blueprint targets building mechanisms, such as social-public-private partnerships, for increased capital flows from the private sector for social enterprises. In addition, the blueprint proposes building and strengthening institutions to affect systematic changes such as higher regulatory support, fiscal incentives, clear legal compliance and auditing.
- The Ministry of Entrepreneur Development and Cooperatives released the National Entrepreneurship Framework as a strategic plan to develop entrepreneurship and to encourage social enterprises through existing cooperatives in Malaysia. The Framework formulates competitive and inclusive entrepreneurship polices to support the economic agenda of Malaysia and create a conducive and integrated entrepreneurship ecosystem.[9] The Framework offers support for access to funds, capacity development, skill development training and research. However, the framework does not elaborate on specific guidelines for incentives. To this end, the National Entrepreneurship Policy 2030 was launched in July 2019. Specific tools and initiatives under the policy are yet to be formulated.
- The Securities Commission Malaysia launched the Sustainable and Responsible Investment (SRI) road map in October 2019, which provides strategic direction and recommendations for the creation of a facilitative ecosystem for SRI investors in Malaysia. The SRI Roadmap contains 20 recommendations under five overarching strategies aimed at the development of a vibrant SRI ecosystem: (1) widening the range of SRI instruments; (2) increasing SRI investor base; (3) building a strong SRI issuer base; (4) instilling strong internal governance culture; and (5) designing information architecture in the SRI ecosystem.[10]

1.2 Dedicated central unit

- MaGIC has a mandate that realises the aspirations of the National Entrepreneurship Policy 2030. MaGIC is tasked with creating an enabling and inclusive ecosystem for start-ups and social enterprises in Malaysia. It seeks to build capacity of entrepreneurs whose business models are focused on positive social and environmental outcomes, as well as to facilitate access to technical and financial resources for social enterprises.[11]
- Until mid-2019, the Agensi Inovasi Malaysia was a statutory body with the mandate to promote social innovation in Malaysia. It ran two major initiatives: a social outcomes fund (SOF) and a social impact exchange (SIX) (see section 1.5).[12] Both initiatives are no longer in operation.[13] Furthermore, while these measures have contributed to increasing the numbers of social enterprises within Malaysia, there is no indication of an increase in the quality and sustainability of these social enterprises.

1.3 Capacity-building

- MaGIC hosts multiple acceleration programmes and bootcamps (e.g. Amplify Accelerator, IDEA Accelerator, Global Accelerator Programme) that provide capacity-building to social enterprises through workshops and mentorship. In 2020, MaGIC, in partnership with Standard Chartered Bank Malaysia Berhad, will host the Social Entrepreneurs – Transformation, Innovation & Acceleration (SEtia) programme. SEtia is four-week capacity-building initiative to boost the skills of local social entrepreneurs. During the six-week Amplify Accelerator programme in 2018, up to 30 start-ups were selected to test operational and fundraising models, gain industry insights, and build relationships with key industry players. While MaGIC is considered to be a strong example of how successful business acceleration can be conducted,[14] its focus is on far-reaching capacity-building, rather than on targeted support to scale mature social enterprises.

- The Social Inclusion and Vibrant Entrepreneurship initiative under MaGIC conducts events for collaboration between corporates, non-governmental organizations and SMEs. Social purpose organizations and social enterprises are provided a platform to seek financial and technical assistance for business ideas and ventures that advance positive social and environmental impact. Events also include mentoring and coaching sessions from industry leaders.[15]
- The Digital Innovation Hub serves as an inclusive platform to support and empower early-stage start-ups and social enterprises in the Malaysian State of Sarawak. Social enterprises receive access to affordable co-working space, incubation and acceleration programmes as well as access to Sarawak Digital Village Ecosystem network. The Digital Innovation Hub is funded by the Sarawak Multimedia Authority, a regulatory body with the primary objective to oversee development and implementation of Digital Economy Initiatives, and managed by Tabung Ekonomi Gagasan Anak Bumiputera Sarawak (TEGAS), a charitable trust dedicated to promoting digital innovation and entrepreneurship among youth in Sarawak.[16]

1.4 Educational programmes

- The Co-operative Education Trust Fund is a state fund that provides finance for education and training programmes to co-operative members engaged in social businesses.[17] Cooperatives are business entities who generally employ locals and operate in a federated model. This allows for economic development as well as social upliftment of the members of cooperatives.
- The public university, Universiti Malaysia Kelantan Social Entrepreneurship Centre offers programmes on social entrepreneurship, part-time skills training, and produces research on the social enterprise sector in Malaysia.[18]

1.5 Impact stock exchange

- Managed by Agensi Inovasi Malaysia, the pay-for-success Social Impact Exchange (SIX) pilot project[19] was launched in December 2017, and it encourages corporate investments in high performing social purpose organizations. Parallel to traditional stock exchanges with initial public offering listing exercises, listed organizations were evaluated based on capacity, track record, projected impact, financial sustainability, the outline of measurement and innovation prior to listing on the SIX portal. Funders could choose and fund programmes that align with their corporate social responsibility strategy or target their intended areas of impact. They would receive measured and audited social impact reporting and be able to track the progress of programmes they fund. As of October 2018, SIX had 19 social purpose organizations listed on its portal.[20] Agensi Inovasi Malaysia is in discussions with suitable government agencies and foundations to take over SIX before its charter expires at the end of 2020.[21]

2 Government as market participant

The Government has focused on making requisite funding available for social enterprises and commissioning of social outcomes; capital is made available largely through collaboration from private players.

2.1 Access to capital

- The Green Technology Financing Scheme (GFTS) of 2010, established under the National Green Technology Policy (NGTP), offers a 60 per cent guarantee of the financing amount and a rebate of 2 per cent on the interest rate charged by financial institutions. The GFTS envisages to accelerate expansion of green investments by providing easier access to financing from the private and commercial financial institutions. In the first phase of the GTFS (2010–2017), $830 million was made available through participating financial institutions, followed by a second phase (2019–2020) with a total of $475 million made available.[22]

Six sectors (energy, construction, manufacturing, transport, waste and water management) are covered under GFTS, with established sector-specific criteria for eligibility. Overall, products, equipment and systems deployed by industries should be energy efficient, have a lower carbon footprint, enable a healthy and improved environment for citizens and judiciously use natural resources. GFTS 2.0 has also allocated $480,000 for green bonds issuance, guaranteed by the National Financial Guarantee Insurance.[23]

2.2 Impact in procurement

- The Green Technology Master Plan (2017–2030)[24] facilitates implementation of green technology into economic development plans and strategies. The plan promotes the adoption of green procurement criteria under the Government Green Procurement (GGP) initiative, which focuses on the six sectors covered under GFTS (detailed above). Malaysia plans to increase its green procurement (as a percentage of total procurement) from 1.5 per cent in 2015 to 20 per cent by 2020. To complement its procurement and encourage investment in green technology, the Government has extended tax benefits for enterprises that deploy green measures/equipment for their products and services. Incentives are given based on an organization's greenhouse gas emissions, sustainability plan, income generation activities and recruitment of specialized personnel for green technologies.

2.3 Outcomes commissioning

- As a part of their mandate established by the Malaysian Social Enterprises Blueprint, access to capital is driven primarily by MaGIC and the Agensi Inovasi Malaysia. These institutions, along with various partners, create funds for social enterprises.
- In March 2017, the Agensi Inovasi Malaysia launched the social outcomes fund with the goal of mobilizing the private sector to finance social service delivery. Based on a pay-for-success model, the fund repays investors in social purpose organizations (which includes non-profit, nongovernmental and community-based organizations, as well as social enterprises) if these projects result in 1.5 times or more of cost savings compared to similar government interventions. The first tranche in 2017 had a value of $725,000. In April 2019, the Agensi Inovasi Malaysia launched a second tranche of the social outcomes fund, seeking six-month projects that address 40 high-priority social issues highlighted in the Social Progress Assessment. As of May 2019, there were eight projects in the fund with six projects fully funded. Investors in the first project received their reimbursement after the independent assessment confirmed a cost saving of 1.6 times on completion.[25]
- Under the SRI Sukuk Framework of 2014, Malaysia has seen one social impact bond issuance. Issued by Ihsan Sukuk Bhd (a unit of Khazanah Nasional Bhd) in 2015, proceeds from the $237 million SRI sukuk programme were to be used for education purposes (trust schools).[26] If the agreed indicators are fully met at its maturity date (five years), the Sukuk holders agree to forgo or contribute up to 6.22 per cent of the nominal value due in recognition of the positive social impact generated by the trust school programme. Conversely, if the indicators are not fully or partially met, the sukuk holders will receive up to the nominal value due under the sukuk, as agreed at the issuance.[27] As of January 2020, the Ihsan Sukuk have not yet reached maturity.

3 Government as market regulator

Malaysia has created a conducive environment for attracting impact investors and foreign capital by offering tax-based and operational incentives in various social services sectors.

3.1 Specific legal form

- While there is no legal form for social enterprises in Malaysia, the Ministry of Entrepreneur Development and Cooperatives has established social enterprise accreditation programme in 2019. Its guidelines provide detailed definitions regarding the scope of social enterprises, the different types of social enterprises and the various business models it can adopt, as well as the benefits of being nationally certified as a social enterprise. To apply, social enterprises must first be officially registered companies (with the relevant agencies, depending on them being for-profit on non-profit). To gain the social enterprise accreditation, the companies must fit the definition[28] provided by the Ministry of Entrepreneur Development and Cooperatives and fulfil certain criteria. The guidelines facilitate the process with step-by-step guidance and detailed explanations of the accreditation criteria.[29] The process can be completed on the website of MaGIC. As of January 2020, the Ministry of Entrepreneur Development and Cooperatives has announced 22 social enterprises were accredited in 2019, and is targeting accreditation of another 40 social enterprises in 2020.[30]

- Securities Commission of Malaysia specifically recognizes impact or social funds as SRI funds.[31] Impact bonds can be traded and attract similar provisions as prevalent in capital market. Reporting and compliance standards for these funds and bonds are guided by SRI fund guidelines and Malaysian Rating Corporation impact bond assessment guidelines.

3.2 Impact reporting standards

- The Malaysian stock exchange, Bursa Malaysia, has taken an integrated economic, environmental and social risks approach on sustainability. It mandated companies to report on social and economic sustainability along with financial sustainability. The reporting indicators are based on the Sustainable Development Goals (SDGs) and recommendations of a special task force. Organizations, based on area and sector of operation, are required to report environment, social and governance risks which include carbon footprint, use of natural resources, energy consumption, and procurement of polluting products. These are mandatory disclosures and should be included in the annual report of the organization. The focus of the policy is on balanced reporting, which enables shareholders to make an informed decision.[32]
- Securities Commission guidelines on Sustainable and Responsible Investment (SRI) funds facilitates and encourages growth of SRI funds in Malaysia. SRI funds are offered flexibility to adopt any environmental, social and governance factors (including the principles of the United Nations Global Compact and one or more SDGs). Interim and annual reports of the fund must disclose the adopted indicators and its performance on the selected indicators relative to peers. Screenings for funds are based on one of five strategies that include the integration of environmental, social and governance factors, and impact or social investing. For impact and social investing, screening is defined as “targeted investments with the intent to solve social or environmental issues, or investments towards businesses and projects with a clear social or environmental purpose”. It applies to fund products within the oversight of the Securities Commission, such as unit trust funds, real estate investment trust funds, exchange-traded funds, and venture capital and private equity funds.[33]
- The Malaysian Rating Corporation has institutionalized specific methodology (impact bond assessment guidelines) for assessing green, social and sustainability bonds, collectively referred to as impact bonds. Impact bond assessments are based on three main frameworks. The frameworks include significance of the impact of the underlying project, compliance with international standards (including ASEAN Green Bond Standard, International Capital Market Association, Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines), and independent evaluation of issuer’s sustainability performance. Project evaluation, use of proceeds, management of proceeds and reporting are the cornerstones of rating methodologies.

3.3 Fiscal incentives (supply)

- The Capital Markets Malaysia department of the Securities Commission implements a SRI Sukuk Grant Scheme. Under the scheme, investors raising funds to finance green projects compliant with the Sustainable and Responsible Investment (SRI) Sukuk Framework are entitled to claim up to 90 per cent of the cost for independent expert reviews, with a maximum allowance of RM 300,000 (approximately $68,000)[34] per issuance. Both domestic and foreign issuers are eligible, provided the facility is issued in Malaysia. Claims can be made based on a single offering or an issuance part of a larger Sukuk programme. Prime Minister Najib Razak in his 2018 budget speech announced tax exemptions for recipients of the RM 6 million ($1.6 million) grant.

- Since its first green bond issuance in 2017, Malaysia has issued a total of seven green bonds, totalling over $730 million.[35,36] As of November 2018, Malaysia was the third largest green bond market in South-East Asia, accounting for 19 per cent of the region's total issuance.[37] While the Government has set up multiple mechanisms to support the green finance market, it has not yet issued a sovereign green bond. However, the Securities Commission SRI Roadmap of 2019 states that the SRI Sukuk Framework (2014) can be leveraged as an underlying framework for the issuance of sovereign green, social and sustainability bonds.

3.4 Fiscal incentives (demand)

- In March 2019, Bank Pembangunan (Malaysia Development Bank) created a $240 million Sustainable Development Financing Fund to spur businesses to adopt green and sustainable frameworks.[38] The fund provides a financing rate subsidy of 2 per cent to businesses with projects supporting the national sustainable development targets.
- In 2019, the Ministry of Entrepreneur Development launched the Social Enterprise Accreditation Guidelines at MaGIC. Once the process is completed, accredited social enterprises may benefit from tax incentives. More specifically, any party contributing to a social enterprise may qualify for a tax deduction of up to 10 per cent of the aggregate income (if the contributor is a company) and 7 per cent of the aggregate income (if the contributor is an individual).[39]
- The Malaysian government provides 'Green Investment Tax Incentives' to encourage investments in green technology, assets, building, industries and services. Differential tax incentives are offered to organizations based on area of activity. Tax allowances are provided to green technology projects and services. The differential model allows the policy to define different criteria based on type of operation. Under this scheme, an income tax deduction of up to 100 per cent of the capital expenditure on green projects and assets is allowed. Further, organizations providing services on adoption or deployment of green technology are exempt from income tax for five years. In 2018, a reported 175 renewable energy and 55 energy efficiency projects were approved, attracting total investment values of RM 3.0 billion (approximately $682 million) and RM 140 million (approximately $32 million) respectively.[40]

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A11 | Myanmar

Context

Impact investments and foreign direct investment inflows increased significantly in recent years. Foreign direct investment capital in Myanmar jumped from $1.4 billion in 2013 to $9.48 billion in 2016.[1] Between 2007 and 2017, the country saw 50 impact investment deals. As of 2018, $25.9 million of impact capital have been deployed by private impact investors and $1.4 billion by development finance institutions (DFIs).[2] The vast majority (80 per cent) of private impact capital in Myanmar has been directed towards the microfinance sector. The remaining 20 per cent has mainly been invested in education, tourism, and information and communication technology.[3] The main instruments for impact investments in Myanmar include equity and debt (mainly through DFIs).[4]

Myanmar is yet to formulate policies that promote and encourage impact investments at the national level. The Myanmar Sustainable Development Plan 2018–2030 and the Myanmar Climate Change Strategy and Action Plan 2016–2030 do provide broad frameworks which are conducive for impact investment.[5] The Myanmar Companies Law 2017 modernized the corporate framework and opened up opportunities for foreign investors to buy equity in local companies for the first time.[6]

Recent moves to open up the economy, along with strong gross domestic product growth has attracted the attention of international investors. Some of the key private impact investors in Myanmar include Insitor, Anthem Asia, LGT Impact Ventures, Accion and Uberis Capital.[7] A range of DFIs offer impact investment funds. The Asian Development Bank investments in the Ascent Myanmar Growth Fund, which aims to bring about positive outcomes in education, financial services and health care.[8] The International Finance Corporation has invested $35 million into an SME venture fund for sectors such as tourism and telecom, which have been identified as having high potential for social impact.[9] Despite the increasing amount of impact capital and funds in the country, there is an estimated funding gap of around $2.7 billion for small and medium-sized enterprises, including social enterprises, to scale.[10]

There is no legal status for social enterprises in Myanmar. Most operate as non-governmental organizations or other legal forms, typically within the sectors of microfinance, education, retail or fast-moving consumer goods.[11] The overall landscape for social enterprise, and entrepreneurship, in general, in Myanmar is still nascent. This results in a high dependency on grant funding at seed stage, as most social enterprises still require additional capacity-building and technical assistance to become investment-ready. There is a growing ecosystem of enablers for social enterprises, including multiple incubators and accelerators (e.g. Phandeeyar, Impact Hub Yangon, Ideabox and Yangon Innovation Center) that support social ventures from start-up through to mature stages.[12,13]

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**National strategy**		
	Myanmar Sustainable Development Plan (MSDP) 2018-2030		
			Capacity-building
			SMART Myanmar
			MSDP SME capacity development programme
			DaNa facility
Market participant	**Access to capital**		
	Myanmar Economic Bank loans		
	SMART Myanmar and Myanmar Central Bank green loans		
	DaNa Facility Inclusive Business Ecosystem Window		
Market regulator / legislator	**Fiscal incentives**		**Fiscal incentives**
	Myanmar Companies Law, 2017		Myanmar Climate Change Strategy and Action Plan (MCCSAP) 2018-30

1 Government as market facilitator

The Government's Sustainable Development Plan provides a broad framework for establishing institutions around private sector-led sustainable development.

1.1 National strategy

- The Myanmar Sustainable Development Plan 2018–2030 lays out the vision and corresponding strategies to achieve democratic stability, sustained economic growth, welfare of its citizens and sustainable use of natural resources. The Plan has three pillars: (1) peace and stability; (2) prosperity and partnership; and (3) people and planet. The second pillar prioritizes private sector-led development and job creation for inclusive economic growth. It identifies strategies to achieve positive outcomes in the areas of agriculture, aquaculture, irrigation, sustainable water management, land tenure and property rights, inclusive development initiatives, and climate-resilient rural infrastructure.[14] Furthermore, the second pillar outlines strategies to inclusively finance sustainable growth by creating an enabling environment for investment in private sector, as well as by facilitating access to inclusive finance.

1.2 Capacity-building

- SMART Myanmar was initiated in 2013 with funding from the European Union. The programme is implemented in cooperation with the Central Bank of Myanmar and various other government institutions to promote sustainable production and consumption. Among other initiatives, SMART Myanmar conducts workshops and seminars on energy efficiency in garment production.[15]
- The Myanmar Sustainable Development Plan includes an action plan to increase institutional capacity development of SME enterprises focused on social and environmental sector by proposing to issue clear regulations, policies and procedures[16].
- The DaNa facility, funded by the Department for International Development of the United Kingdom, is an innovative private sector development programme. It focuses on transforming the economy of Myanmar by targeting people living in

poverty and marginalized groups, such as women and people with disabilities. DaNa provides technical assistance to private sector enterprises (aligned with the goals of the facility) in partnership with the Government of Myanmar.[17] Through its Economic Empowerment Window project, DaNa has directly impacted more than 10,000 individuals in Myanmar. It has also invested in 15 inclusive businesses and not-for-profit interventions, with the intent of establishing a pipeline for impact investors in Myanmar.[18]

2 Government as market participant

Presently there is almost no participation from government in the impact marketspace; however, there are several initiatives supported by the Government.

2.1 Access to capital

- The state-owned Myanmar Economic Bank provides loans to SMEs and has a credit guarantee insurance scheme, targeting $175 million to be disbursed in 2018–19. Though the bank does not provide finance specifically to social enterprises, it targets SMEs working in recycling and energy efficiency sectors.[19]
- SMART Myanmar signed a memorandum of understanding with the Myanmar Central Bank to assist the national regulators in developing "National Green Finance Guidelines." The aim is to provide guidance to SMEs applying for green loans and to coach banks in offering such loans.[20]
- The DaNa facility provides grants through its Inclusive Business Ecosystem Window, targeted at social enterprises. DaNa has provided grants totalling $6.4 million to 11 inclusive businesses engaged in agribusiness, textiles and financial inclusion.[21]

3 Government as market regulator

New regulations aim to reduce regulatory barriers to foreign equity investments in Myanmar.

3.1 Specific legal form

- There is no specific legal structure for social enterprises in Myanmar. Social enterprises mainly register under various for-profit legal structures, including partnerships, private limited liability companies, cooperative societies or associations.[22]

3.2 Fiscal incentives (supply)

- The Myanmar Companies Law 2017[23] (Pyidaungsu Hluttaw Law No.29) modernized the corporate framework and offered more favourable regulations for foreign investors and businesses operating in Myanmar. Foreign investors are permitted to buy equity (up to 35 per cent) in local companies, whereas, previously, a company was only considered to be local if it was 100 per cent locally owned.[24] This change presents massive business opportunities in sectors that were previously fully restricted to foreign investors, such as banking and finance. For the impact investing landscape in Myanmar, the Myanmar Companies Law 2017 is a huge success and is expected to pave the way for a significant increase in foreign direct investment.[25]

3.3 Fiscal incentives (demand)

- The Myanmar Climate Change Strategy and Action Plan 2018–2030 includes incentives for green and climate resilient infrastructure. The Plan supports low carbon development, national resource conservation, renewable energy and microcredit to vulnerable populations, among others.

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A12 Nepal

Context

The impact investing ecosystem in Nepal is small. Currently, debt is the most preferred instrument for overall impact capital. By 2015, a modest amount of $17 million had been deployed nationally by impact investors, of which $16 million had been deployed by development finance institutions (DFIs).[1] In 2019, the Securities Board of Nepal (Sebon) issued the Specialized Investment Fund Regulation, which provides a legal framework for equity and venture capital investments. The regulation is expected to boost equity inflows to the country's capital market. The Government does not provide any capital toward impact enterprises; however, it has worked with prominent impact investors active in Nepal, the Dolma Impact Fund[2] and One To Watch,[3] to facilitate investment of private capital in the impact economy.

The local ecosystem for social enterprises is growing. With the vast majority of economic activity in Nepal centred in Kathmandu Valley, the ecosystem is contained and easy to navigate.[4] In the past five years, Nepal has seen the arrival of some ecosystem enablers, such as Communitiere and Rockstart Impact, who provide capacity-building and business development services to local social enterprises. The Department for International Development (DFID) of the United Kingdom also provides a programme to advise the Government on creating institutions and an enabling policy environment for transformative and inclusive growth.[5] The ecosystem is steadily developing, yet there is much to be done on both the supply and demand sides for the impact investment landscape in Nepal. A more supportive regulatory environment and policies to facilitate and leverage private and public funds will be necessary for the growth of the country's impact economy.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator		**Wholesaler** Accelerating Infrastructure and Investment in Nepal	
Market participant	**Access to capital** National Ramsar Strategic Plan of Nepal (2018-24) Foreign Direct Investment (FDI) policy, 2015		
Market regulator / legislator	**Fiscal Incentives** Specialized Investment Fund Regulation, 2019		

1 Government as market facilitator

The impact investment policy landscape in Nepal is relatively thin. Government policies to support impact investment landscape are increasingly a priority, yet still in the early stages of development.[6] There are a few wholesaler funds driven by private investors and DFIs with minimal regulatory support. For example, DFID runs the programme called Accelerating Infrastructure and Investment in Nepal, worth approximately $60 million over eight years (2014–2022). Through various structures, the programme advises the Government of Nepal on creating institutions and policies to support transformational and inclusive growth.[7] Still, specific policies for impact investors or social enterprises are yet to be seen.

2 Government as market participant

The National Ramsar Strategic plan of Nepal adopts an outcomes-based financing approach and targets generating livelihood opportunities for communities, along with creating positive environmental impact.

2.1 Access to capital

- The National Ramsar Strategic Plan of Nepal (2018–2024)[8] relied on guidance provided by Ramsar Secretariat. The plan lays out a mechanism for conservation, restoration, sustainably use and extending advantages of Ramsar sites[9] to native communities. It has identified the private sector as a source for conservation finance, as well as social entrepreneurs with business models that contribute to the Ramsar outcomes. It also plans to leverage 'community development institutions', and local non-governmental organizations for implementation.
- The foreign direct investment (FDI) policy, 2015 aims to achieve sustainable economic growth and generate employment by promoting foreign direct investment, reducing imports and augmenting exports. It defines three forms of foreign investment: (1) investment in shares (equity), (2) reinvestment of the earnings derived from equity and (3) investment in the form of loan or loan facilities. To facilitate FDI in Nepal, the policy provides for no limit on foreign equity ownership and no minimum threshold for investment. As a result of the FDI policy in 2015, approved FDI in Nepal spiked from about $175 million in 2014/2015 to nearly $600 million in 2015/2016. However, the actual amount of FDI in Nepal for the same time frame only increased from $38 million to $52 million. Thus, the policy eased the process of approval, but did not have a major impact on the actual amount invested.[10]

3 Government as market regulator

Specialized Investment Fund regulation allows for equity and venture capital investment in capital market.

3.1 Fiscal incentives (supply)

- Supply for impact capital is expected to increase with the formalization of the Specialized Investment Fund Regulation, 2019, which formally recognizes private equity, venture capital and hedge funds as tradeable instruments. The regulation provides a legal structure to funds which are directed towards alternate investment asset classes. These regulations present a positive stride towards formalizing and developing capital and an impact market in the country. Current Specialized Investment Fund Regulation prohibits foreign investors (apart from multilateral and bilateral agencies) to invest in these funds. This may minimize exit options for local private equity investors. Regulation also mandates the minimum investment of NPR 5 million (approximately $40,000)[11] for limited partners which automatically excludes small and retail investments in the funds.[12]

3.3 Fiscal incentives (demand)

- The Myanmar Climate Change Strategy and Action Plan 2018–2030 includes incentives for green and climate resilient infrastructure. The Plan supports low carbon development, national resource conservation, renewable energy and microcredit to vulnerable populations, among others.

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A13 | Philippines[1]

Context

Between 2007 and 2017, 23 private impact investors deployed over $107 million of impact capital through 54 deals, and six development finance institutions deployed over $2.3 billion through 43 deals.[2] Many international impact funds such as Omidyar Network, Leapfrog Investments, LGT Impact, Small Enterprise Assistance Funds, Unitus Capital, operate in the country. Local foundations and incubators (for example: FSSI, FPE, PEF, Philippines Development Foundation (PhilDev), Xchange) play an important role in providing early stage capital.

It is estimated that, in 2017, there were about 165,000 social enterprises in the Philippines and the number has more than tripled in the last decade.[3] Agriculture, education, financial services and workforce development are among the sectors in which most social enterprises operate.

Fiscal incentives for investors, relaxed restrictions on foreign ownership, favourable regulations for small and medium-sized enterprises and formal recognition of inclusive businesses are some initiatives which have had positive impact on the impact investing sector. However, there are no formal policies specifically targeting impact investing.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**National strategy**		
	Philippine Development Plan 2016 -2022		
	Inclusive Business Promotion Act		
	PRESENT Bill		
	Educational programmes		**Capacity-building**
	De La Salle University, Uni. Philippines, FSUU, Uni SE Philippines		Social Reform and Alleviation Act
	ACSEnt		
Market participant			**Impact in procurement**
			Social Value Bill
Market regulator / legislator			**Fiscal incentives**
			Investment Priorities Plan

1 Government as market facilitator

There are limited targeted policies for impact investment in the Philippines. However, there have been policies to promote social enterprises and inclusive businesses which target the demand-side of the ecosystem.

1.1 National strategy

- The Philippine Development Plan 2017–2022 serves as the national blueprint for socioeconomic development.[4] The plan categorically lays emphasis on development of social enterprises and inclusive businesses and refers to Social Enterprise Bill and Inclusive Business Bill.
  - Inclusive Business Promotion Act, passed in the parliament in 2016, recognizes relevance of inclusive businesses to enhance the economic opportunities for poor communities, improve their incomes and help them break out of subsistence levels. The act grant provides policies for accreditation and incentives for inclusive businesses.[5]

- The Poverty Reduction through Social Entrepreneurship Bill of July 2019 (PRESENT Bill)[6] recognizes the role of enterprises in the economy as means for development in creating employment and providing means for improving the livelihood of the people. The bill aims to pursue an inclusive growth strategy that promotes an environment conducive to development and growth of social enterprise sector engaged in poverty reduction, economic and social development. The bill formally defines social enterprises and recognized their role in promoting social justice.[7]

1.2 Capacity-building

- The Social Reform and Poverty Alleviation Act of 1997 enables impoverished people to engage in economic activities through cooperatives and micro finance institutions. The act established People's Development Trust Fund dedicated to capacity-building of microfinance industry to expand its reach and become financially sustainable.[8]

1.3 Educational programmes

- Several universities and business schools offer programmes on social enterprise undergraduate and post-graduate programmes, or social enterprise modules as a part of other programmes. While many are based in Manila, there are also examples in Cebu and Davao. These universities and research institutions in the country that provide education programmes to foster future social entrepreneurs. Ateneo Center for Social Entrepreneurship at the Ateneo de Manila University has been among the pioneers as began offering a master's programme in social entrepreneurship in 2000s.[9] It also engages multisector actors to support the creation of programmes in research, education and training, advocacy and incubation to advance social entrepreneurship. Other universities offering similar programmes include De La Salle University (Social Enterprise and Economic Development Program), University of the Philippines (College of Social Work and Community Development), Father Saturnino Urlos University (Baccalaureate in Social Entrepreneurship), University of Southeastern Philippines (Bachelor of Science in Social Entrepreneurship).[10]

2 Government as market participant

Several MSME-focused initiatives have been rolled out by the Government.

2.1 Impact in procurement

- The proposed Social Value Act introduces the concept of "social value" in the government procurement processes. The Act is at a bill stage since 2016.[11] The benefits of impact procurement comprise support for poor communities and marginalized groups, advancement of human rights and social justice, protection of the environment, and community development.[12]

3 Government as market regulator

The country has a favourable regulatory environment supported by various acts and policies which regulate the impact investment sectors and investments made in supporting development projects of the same.

3.1 Fiscal incentives (demand)

- The Philippine Board of Investments approved the 2017–19 Investment Priorities Plan in February 2017. This plan provides specific incentives to enterprises with inclusive business models (five-year income tax holiday), provided they meet a set of criteria depending on the sector. The criteria require inclusive businesses to procure at least 25 per cent of total costs of goods from micro and small enterprises and engage a minimum of 300 individuals from marginalized communities - at least 30 per cent of which are women. Income derived from such engagement should be equal to at least the minimum wage, or lead to at least 20 per cent increase in average income whichever is higher, by the end of the third year of operation.[13,14]

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A14 | Singapore[1]

Context

Singapore is the country of choice for several impact investors to manage investments. This is due to the country's regulatory, economic and political stability and maturity. Additionally, the ease of domiciling an equity fund in Singapore[2] further enhances the appeal for impact investments. Most impact capital deployed by development finance institutions in Singapore has supported the energy and health-care sectors.

Given that Singapore is an advanced economy, the issues on which social enterprises often work are different from those on which social enterprises work in less advanced economies in the region. Most social enterprises in Singapore work on workforce-integration issues.[3] In 2018, there were almost 400 social enterprises in education, training, health and wellness, providing jobs, education and skill development, targeting groups such as disadvantaged youth or disabled persons.

Several policy measures for solving social and environmental issues have been launched in the country. The Ministry of Social and Family Development and the National Council of Social Service have increasingly addressed hindrances in social service sector development. Some of the other initiatives include ComChest, ComCare Enterprise Fund, Central Cooperatives Fund, Social Enterprise Hub President's Challenge Social Enterprise Award and Singapore Centre for Social Enterprise (raiSE). These initiatives have enabled social enterprises to grow and work within the broad framework of achieving positive social and environmental outcomes.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**Dedicated central unit** (Supply–Demand)		
	raiSE; NCSS		
	Educational programmes		**Capacity-building**
	SMU		raiSE
	Lien Centre		NCSS
	Ngee Ann Polytechnic		MAS (Green bonds)
Market participant	**Access to capital**		**Impact in procurement**
	ComCare Enterprise Fund		Public Sector Sustainability Plan, 2017
	NCSS		
	raiSE		
	Temasek Trust		
Market regulator / legislator	**Fiscal incentives**		
	Green Bond Grant Scheme, 2017		
	Impact-focused investment regulation		
	ABS Guidelines		
	Singapore Stewardship Principles		
	Impact reporting standards (Supply–Demand)		
	SGX Listing Rules, 2016		
	Singapore Stewardship Principles		

❶ Government as market facilitator

Primary objective of National strategy and dedicated central units is to strengthen social enterprises and facilitate funding them.

1.1 Central dedicated unit

- National Council of Social Services plays the role of a social sector developer and acts as the nodal agency for most policy interventions for the Government. The council membership includes some 450 social service agencies.[4] It provides funding, capacity-building services (leadership training and technical training) and gives access to a range of services at preferential rates to registered organizations, such as accounting services, pro bono legal services, and other enterprise services.[5]
- Singapore Centre for Social Enterprise (raiSE) plays the role of a dedicated central unit, within the Government, and was formed to function as a nodal agency for fostering development of the social enterprise sector in Singapore. It provides advisory services, capacity-building, trainings, mentorship and financing options to social enterprises. In 2018–19, it provided grants of nearly SGD 3 million (approximately $2 million)[6] to social enterprises, nearly doubling from the previous year.[7] It had 358 members at the end of 2018.

1.2 Capacity-building

- raiSE provides capacity-building services to all member social enterprises through mentorship, workshops, networking events and by providing resources, co-working spaces and business tools. raiSE organized eight “Legal Clinic” events till 2018 for legal advisory support and capacity-building of social enterprises. Similarly, 30 Consultation Clinics were organized for “1-1 Consultation Sessions” for Social Enterprises. In addition, raiSE runs programmes where social enterprises and public can interact with each other, thus raising awareness for the sector.[8]
- Monetary Authority of Singapore has taken several steps to promote green finance in the country. In 2018, Monetary Authority of Singapore and International Finance Corporation[9] signed a memorandum of understanding for capacity-building on green bonds in Asian financial institutions and promoting the use of internationally recognized green bond standards in the Asia-Pacific region. In 2019, it announced a $2 billion green investments programme to invest in public market investment strategies that have a strong green focus.
- The National Council of Social Service also provides capacity-building services to social service agencies, under two primary heads: consultancy support (including human resources consultancy, volunteer resource optimization, bite-size projects and assessments on the standards framework for social service agencies) and targeted technical assistance. In financial year 2018[10] it had allocated SGD 66 million (approximately $46 million) to support capacity-building of over 376 social service agencies. Further, it has supported 452 individuals through various leadership schemes.

1.3 Educational programmes

- Singapore Management University has started a programme called “Advanced Certificate in Sustainability and Sustainable Businesses” which focusses on Sustainable Finance, Impact Investing, and stewardship. The 12-day programme is held over five months. It is supported by government entities such as the Monetary Authority of Singapore and Temasek (a sovereign wealth fund owned by the Government of Singapore). The participants can also avail different government subsidies up to 95 per cent of the course fees.[11,12]
- The Lien Centre for Social Innovation, a partnership between Singapore Management University and Lien Foundation is a research institute which specializes in social sector and works towards solving social issues. Similarly, Ngee Ann Polytechnic offers a three-year diploma in Business and Social Enterprise.

❷ Government as market participant

Access to capital is catalysed by Government programmes and packages. Impact considerations in procurement are largely limited to positive environmental outcomes.

2.1 Access to capital

- The National Council of Social Service provides funding for social service agencies.

Within its purview an endowment fund has been established and funds are raised through the community chest programmes annually. As of May 2019, the Council had allocated nearly SGD 313 million (approximately $216 million) in funds to 114 social service agencies.[13] However, the funding from the Council is in form of grants and not investments.

- raiSE also provides funding and grants to social enterprises. It has two different funding channels: (1) Venture For Good which provides grants of up to SGD 300,000 (approximately $207,000) to early-stage social enterprises which are starting up or expanding their operations, and (2) raiSE Impact Finance (RIF) which provides investment capital, with a preference in convertible loans, to growth-stage social enterprises. In 2018, SGD 3 million (approximately $2 million) of grants were provided by raiSE.
- The Government established Comcare Enterprise Funds to provide seed funding to social enterprises. The fund is provided as expansion capital to social enterprises that are in existence for at least two years and must be in support of "disadvantaged Singaporeans'' by hiring and training them. It provides funding of up to 80 per cent of the capital costs and the first-year operating costs of the social enterprise, up to a limit of SGD 300,000 (approximately $207,000).
- In May 2019, Temasek Trust (the philanthropic arm of Temasek Holdings, a sovereign fund) set up ABC World Asia, an SGD 385 million (approximately $265 million) impact investment fund. The Asia-focused fund invests in sectors such as financial and digital inclusion, health, education, climate and water solutions, sustainable agriculture as well as smart and liveable cities.[14] The fund has invested SGD 50 million (approximately $34 million) in Sunseap Group, a Singaporean renewable energy solutions provider.

2.2 Impact in procurement

- Under the Public Sector Sustainability Plan, public agencies (government and non-government) are taking the lead for procurement of environmentally friendly products (e.g. green procurement of electronic equipment and paper products, food waste recycling). The sustainability plan aims to reduce electricity and water consumption, achieve energy efficiency in public buildings and increase the share of renewables in the energy mix.
- Singapore implements Green Public Purchasing according to the green labelling. Local standards and certification (e.g. Minimum Energy Performance Standards and Mandatory Energy Labelling) are used as a reference for green public procurement measures. It has provided incentives for private sector suppliers to integrate environmental goals in into their core businesses.

3 Government as market regulator

Fiscal incentives are restricted to positive environmental outcomes. However, launch of Sustainability Bond Grant Scheme, provides new avenues for Impact Investment ecosystem.

3.1 Impact-focused investment regulation

- Singapore Stewardship Principles for Responsible Investors aims to enable investors to be aware of the social and environmental outcomes of the planned investment. The principles impact fiduciary duties and as of May 2019, 56 organizations have showed support for the principles and have published sustainability reports.[15]
- Association of Banks in Singapore published Guidelines on Responsible Financing, 2015 (revised in 2018) with the aim to promote responsible and sustainable financing across the banking sector. Member banks are expected to assess their clients' environmental, social and governance risks as part of credit evaluation processes. Environmental, social and governance criteria are clearly defined and member banks must "comply or explain".

3.2 Impact reporting standards

- The Singapore Exchange (SGX) has made annual sustainability reporting mandatory on a "comply or explain" basis for all listed companies. This includes disclosure about performance with regards to environmental and social aspects, in addition to the financial and governance aspects. As on 31st December 2018, 495 companies published sustainability reports, covering almost all SGX-listed companies. About 80 per cent of companies reported for the first time in 2018 and total number of reporting companies was five times that the previous year.[16,17]

- Singapore Stewardship Principles for Responsible Investors encourage documentation and regular reporting on sustainability. As of May 2019, 56 organizations have shown support for the principles and published sustainability reports.[18]

3.3 Specific legal form

- Singapore does not have a specific legal definition for social enterprises. Most of the social enterprises are registered, as Private Limited Companies under the Singapore Company Act and Cooperative Societies Act. These comprises of 69 per cent social enterprises in Singapore.[19]

3.4 Fiscal incentives (supply)

- The Green Bond Grant Scheme, 2017 is aimed at subsidizing the extra cost incurred by Green bond issuers when compared to costs of issuing conventional bonds.[20] This primarily involves assistance to issuers to obtain an independent external review in compliance with the internationally recognized standards. The scheme is operational from 2017 to 2020. Under the Scheme, all costs incurred by an issuer in relation to the external reviewer's provision of an independent assessment will be reimbursable, subject to a cap of SGD 100,000 (approximately $70,000). In January 2019, the Monetary Authority of Singapore expanded the scheme to include sustainability and social bonds and extended the schemes validity to 2023.

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A15 Republic of Korea[1]

Context

The social economy of the Republic of Korea was one of the first in East Asia to create legislation that defined social enterprises. The efforts began in 2007 when the Social Enterprise Promotion Act (SEPA) was passed.[2] This law provided framework for developing policies and giving social enterprises official legal status. Several large corporates have also started embedding impact within their businesses.[3]

The impact investment market in the Republic of Korea has grown due to policy changes in the recent years. The Government has emerged as a major player by initiating impact investing wholesalers and fund-of-funds. Ministry of Labour, Ministry of Strategy and Finance, Ministry of SME and Start-ups, and Financial Services Commission have been instrumental in it.

A major push came about in 2018 when the Government announced plans to establish Social Value Solidarity Fund, similar to Big Society Capital in the United Kingdom The Government also established three more impact funds with assets under management of KRW 180 billion (approximately $142 million)[4] in the same year. Since 2018, the number of government-sponsored fund-of-funds has risen to almost 20.[5]

The year also marked a shift in engagement of different ministries with the impact investing sector. Before 2018, the Ministry of Labour played a dominant role by promoting the demand-side for impact investing through the Social Enterprise Promotion Act, however developments in 2018 positioned the Ministry of Strategy and Finance and Ministry of SMEs and Start-ups as the major players focused on the supply side and central coordinating bodies for impact investing policies.

Market-building efforts led by the GSG through the Korea National Advisory Board for Impact Finance (Korea NAB) aim to link domestic markets with global trends. Korea NAB initiated the ideation of impact wholesale fund in 2018. It has also been leading efforts to standardize the impact measurement practices in the Republic of Korea. By inviting speakers and showcasing global cases, such efforts raise awareness of impact investing among policymakers, foundations, asset owners and asset managers.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**Dedicated central unit**		
	Social economy unit under the Ministry of Strategy and Finance		
	KoSEA		
	Educational programmes	**Wholesaler**	**Capacity-building**
	KAIST, Hanyang, and Sungonghwe	KSVSF	KoSEA
	Lien Centre	Ministry of SMEs and Start-ups FOF	SEPA
		Social Enterprise Fund	Programs by local governments (e.g. SSESC)
	Seoul Social Economy Support Center		
Market participant	**Access to capital**		**Impact in procurement**
	KODIT		Seoul Metropolitan Government
	SSIF		**Outcomes committsioning**
	Korea Inclusive Finance Agency		Seoul SIB
			Gyeonggi SIB
Market regulator / legislator	**Impact-focused investment regulation**		**Specific legal form**
	Korea Stewardship Code		SEPA / KoSEA
			Fiscal incentives
			SEPA / KoSEA
			Ministry of Employment & Lab.
			KODIT
	Impact reporting standards		
	Korea Stewardship Code		

❶ Government as market facilitator

Social Enterprise Promotion Act formalized guidelines for certification of social enterprises and acts as a national framework to provide support across a social enterprise life cycle.

1.1 Dedicated central unit

▲ Ministry of Strategy and Finance has a unit focused on social economy which also covers social finance and impact investing. In February 2018, the Government discussed its strategy for promoting social finance. The main objectives included supporting the establishment of social finance markets and expanding social finance provisions and infrastructure. Korea Social Value and Solidarity Foundation, a wholesale fund discussed later, was formed as a direct consequence of this strategy.

▲ KoSEA was established to implement strategies and plans laid out in the Social Enterprise Promotion Act 2007. It acts as a dedicated central unit to develop, promote, and incubate as well as certify social enterprises and cooperatives. Additionally, it monitors and evaluates the social enterprise ecosystem, establishes and supports social enterprise networks, gives integrated information for social enterprises, provides consulting services and promotes international cooperation and exchanges for social enterprises. It manages assistance agencies in 16 cities and provinces across the country. The framework provided by the Social Enterprise Promotion Act and the role of KoSEA in implementing it has been very successful in promoting the social enterprise sector in Korea. As of 2018, almost 2,000 social enterprises had received government certification under the framework of the Social Enterprise Promotion Act.[6]

1.2 Capacity-building

- The Social Enterprise Promotion Act accredits social enterprises, develops policies, schemes, and other institutions to support them. Accredited social enterprises have access to preferential support, such as expert support in business activities, fiscal incentives, loans for renting land and facilities, and subsidies for social security premiums[7] For instance, the Government subsidizes labour and insurance for social enterprises for a fixed number of years, and also provides corporate and income tax exemptions. Public procurement policies require 5 per cent of sourcing from certified social enterprises. However, no direct investments are made.
- KoSEA conducts accelerator and incubator programmes for social enterprises across an enterprise life cycle. Its support includes co-working space for social entrepreneurs, as well as information and knowledge-based resources for social start-ups.[8] It also provides educational content, collaborative events, and managerial and marketing consulting. Consulting services aim at enhancing social and financial performances of the companies. Limit of support is defined based on the life cycle stage of social enterprises and type of consulting offered. For example, basic consulting for mentoring growth-stage social enterprises is limited to KRW 10 million (approximately $7,000).[9,10]
- The Seoul metropolitan government established Seoul Social Economy Support Center for providing incubation and capacity-building support to social enterprises in 2013. Within the Center, the Government has established the Social Economy Academy, which designs systematic curriculum to boost capabilities of social economy leaders. The centre also provides access to working and co-working spaces for social enterprises.[11]

1.3 Educational programmes

- Korea Advanced Institute of Science and Technology College of Business offers a two-year Master of Business Administration in Social Entrepreneurship (in collaboration with the Center for Social Entrepreneurship) and a masters in Green Policy. Courses in social economy are also offered at the Undergraduate and Masters levels at Hanyang, and Sungonghwe universities.[13]

1.4 Wholesaler

- As part of the Social Finance Promotion Strategy, the Government and private sector organizations and civil society established the Korea Social Value and Solidarity Foundation in 2019. It is the first wholesaler fund in the Republic of Korea that has been established under a public-private partnership model. It targets leveraging about $530 million from different sources such as, Government contribution, pension funds, banks, mutual and other investment funds. It is tasked with providing patient capital to social organizations and enterprises, support social impact bonds, promote affordable housing, and undertake capacity-building initiatives for various intermediaries to establish a sustainable social finance market.
- In 2018, the Ministry of SMEs and Start-ups raised KRW 180 billion (approximately $142 million) from government funds (KRW 80 billion, i.e. approximately $63 million). This amount was distributed to local governments which disbursed it to social enterprises.[14,15]
- The Social Enterprise Fund of Funds was created in 2011 by Ministry of Employment and Labour. In 2018, the Ministry along with collaboration from private industries (Woori Bank and POSCO) infused KRW 11 billion (approximately $9 million). The total funds under management expanded to KRW 29 billion (approximately $23 million). Seventeen social enterprises leveraged about KRW 12 billion (approximately $9 million) till 2018 and experienced 86 per cent growth in their sales volume. The new fund of KRW 11 billion plans (approximately $9 million) to fully fund rural and self-supported social enterprises that lack access to finance.[16]

Among other initiatives, the Government has pledged $120 million per annum to establish an impact capital wholesaler.[17]

2 Government as market participant

2.1 Access to capital

- The Credit Guarantee Fund Act established Korea Credit Guarantee Fund[18] to facilitate capital for SMEs and, by extension, for social enterprises. One of the goals was to achieve sustainable growth along with SMEs. The Korea Credit Guarantee Fund guarantees loans to SMEs from financial institutions and extends credit insurance and infrastructure credit facilities to SMEs. It is mandatory for an SME seeking a guarantee to be involved in for-profit business. The Fund offers loan guarantees to more than 200,000 SMEs, up to $2.6 million, and in 2018 it extended credit guarantees for bank loans of KRW 40 trillion (approximately $31 billion).[19] Further, since the Fund was established in1975, the proportion of lending to SMEs increased from 36 per cent to 77 per cent in 2015. It receives about 45 per cent of its funding from the Government, 50 per cent from banks, and 5 per cent from other large enterprises. Banks must donate a set amount to the fund, calculated based on the monthly balance of outstanding corporate or commercial loans.[20]
- The Seoul Social Investment Fund, operated by the Seoul metropolitan government since 2013, is a fund that covers invests in social and impact-oriented enterprises. The Fund was originally designed as a public-private partnerships matching fund, but donations from the private sector were inhibited due to legal constraints on the fund's management in 2015. Thus, the fund has been managed directly by the Seoul metropolitan government since 2017.[21]
- The Korea Inclusive Finance Agency, a public financial institution, provides guarantees for loans to firms doing business for social issues.[22]

2.2 Impact in procurement

- The Seoul metropolitan government passed an ordinance in 2014, "Public Purchases and Marketing Support for the Products of Social Economy Organizations", thereby giving preferential access to social enterprises in public procurement.[23,24] As a result, the public procurement market for social economy in Seoul grew by KRW 80 billion (approximately $63 million) in 2015.
- A special law for Promotion of Social Economy Business Products and Distribution Channel is underway. The law will stipulate that all public agencies should procure a minimum of 5 per cent from social economy businesses (currently at 1.2 per cent).[25]

2.3 Outcome commissioning

- In 2014, the Korean Social Investment Fund, the Department of Women and Family Policy, and the metropolitan government of Seoul launched a social impact bond aimed at delivering interventions to children with borderline intellectual functioning in Seoul.[26] The total investment size was KRW 1.1 billion (approximately $875,000) and the intervention was to be carried out over three years, starting in 2016. Initial capital was paid by private investors. The Seoul metropolitan government was to repay the principal and interest based on its savings as a part of the programme. The tenure of the bond was completed in August 2019. The bond exceeded the performance threshold. Almost 53 per cent of the beneficiaries experienced improvements in their cognitive and social abilities, exceeding the maximum performance target of 42 per cent.[27]

3 Government as market regulator

3.1 Impact-focused investment regulation

- There is currently no legal obligation for financial investors to include Environment and Social Governance into their decision-making. However, the Financial Services Commission implemented a Stewardship code in 2016 after which National Pension Service implemented its own Stewardship code in 2017. This highlights an increased sense of responsibility by public funds towards corporate governance of their investments. A similar regulation can be implemented in the impact investment sector.[28]

3.2 Specific legal form

- The Ministry of Employment and Labour, through the KoSEA, certifies organizations as social enterprises. The Social Enterprise Promotion Act defines a social enterprise as "an organization which is engaged in business activities of producing and selling goods and services while pursuing a social purpose of enhancing the quality of local residents' life by means of providing social services and creating jobs for the disadvantaged". A social enterprise is a certification and the entity should be registered as an association, company, corporation or non-profit organization under relevant laws. Social enterprises are required to carry out profit making business activities by hiring paid employees, embrace collective decision-making processes involving workers and service recipients, and that primary objective of the enterprise shall be to realize a social purpose.[29] There are four different forms of social enterprises and these include certified social enterprises, certified social cooperatives, certified community enterprises, and certified self-sustaining enterprises. The legal structure and tax incentives for each entity are different.[30] As mentioned above, as of 2018, some 2,000 social enterprises received government certification under the framework of the Social Enterprise Promotion Act.

3.3 Impact reporting standards

- The Korea Stewardship code is a voluntary agreement, wherein participants which agree to the code work to improve corporate governance and include environmental, social and governance factors in investment decisions and report on them using a set of standards. A total of 125 institutional investors are participants and a further 35 are preliminary participants (in the process of implementing the code) as of April 2020.[31]

3.4 Fiscal incentives (demand)

- With Social Enterprise Promotion Act (2007), the Republic of Korea has eased the functioning of social enterprises and providing various incentives to encourage impact investment. KoSEA offers tax exemption (50 per cent of corporate tax or income tax for three years) for social enterprises and subsidies for personnel expenses, social insurance fee, and business development activities.[32,33]
- Ministry of Employment and Labour provides fiscal support to social enterprises for up to three years, of the first five years, from the time when the enterprise received initial assistance. Incentives are provided for employment creation and business development activities. For example, for hiring professional workforce Up to KRW 2 million per month (approximately $1,600) for up to three employees for up to a year. Further KRW 100 million per year (approximately $78,800) is extended for business development activities.[34]
- The Government has collaborated with the Korea Credit Guarantee Fund to provide and ensure all social enterprises can get a credit guarantee for a 1–1.5 percentage point reduction in interest rate. This is achieved under the Credit Guarantee Fund Act of 2014.[35] However, experts consulted for this report have reported that some social enterprises find it difficult to access guarantees provided by KODIT. This is often because the requirements for applying for these guarantees (e.g. high fees) set a high bar which is difficult for social enterprises to match.

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A16 Sri Lanka[1]

Context

The main focus of impact investors in Sri Lanka has been on debt financing on the microfinance sector. Other impact sectors have received limited capital. High net worth individuals have been an important source of impact investing capital. The Lanka Impact Investing Network is an upcoming impact investor, which is in the process of raising two funds – a $5 million Social Enterprise Fund and a $20 million Social Impact Capital Fund. Development finance institutions have also been an important source of impact investing capital.

Policies relevant for impact investing exist mainly in the context of corporate social responsibility, micro, small and medium-sized enterprises (MSMEs) and non-governmental organizations. MSMEs play an important role in shaping of the country's economy. More than 99 per cent of private sector establishments are MSMEs providing 60 per cent of employment.[2] Many of these enterprises are too large to benefit from microfinance loans, unable to afford the high cost of debt, and too small to absorb an investment larger than $10,000.[3] Recently the Government has established working groups to explore the potential of social enterprises.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**National strategy** (spans Supply–Demand)		
	Vision 2025, Sri Lanka Sustainable Development Act (spans Supply–Demand)		
	Sri Lanka Sustainable Development Act (spans Supply–Demand)		
			Capacity-building
			NEDA
Market participant	**Access to capital**		
	Vision 2025		
	Microfinance Bill, 2016		
	National Policy Framework for SME Development		
	National Policy on Cooperatives		
	NEDA		
Market regulator / legislator			**Fiscal incentives**
			Strategic Development Projects Act
			National Policy Framework for SME Development

1 Government as market facilitator

Vision 2025 provides the framework for sustainable economic development in Sri Lanka. Emphasis has been laid on promoting SMEs which make a substantial contribution to the economy.

1.1 National strategy

- The Vision 2025 sets out a course of reforms to make the country more competitive and lift the standard of living of its population. It aims at sustainable development with a social market economy model at its core. It promotes innovative methods of financing, which contribute to the economic development of the country along with incorporating environmental standards. It proposes to establish a social safety net through financing methods that could provide better social outcomes along with creating returns for investors. It acknowledges the need for strengthening capital markets as engines of growth along with promoting sustainable businesses.[4]

- The Sri Lanka Sustainable Development Act, No. 19 of 2017 provides a legal and institutional framework for government institutions to align with the SDGs. It mandates the ecologically efficient use of natural, social and economic resources and integrates all three aspects into government decision making. Policies such as the climate action plan, cleaner production for the agriculture sector, cleaner production for the fisheries sector, as well as the health sector have been formulated based on the framework provided in the act. These polices focus on the use of clean technology and waste management.[5]

1.2 Capacity-building

- The National Enterprise Development Authority (NEDA) is the main government organization responsible for the promotion and development of the SME sector. NEDA provides capacity-building, marketing facilities, financial facilities and policy support. It also offers credit guarantee schemes. In 2015, NEDA set up 77 Regional Enterprise Forums, conducted two Business Development Fairs and provided entrepreneurship training to over 5,700 people.[6] While a large number of SMEs have participated in NEDA programmes, the efforts have yielded limited gains for social enterprise and impact investing sectors. The programmes offered are usually one-time support packages, for instance, in form of a capacity-building workshop. These programmes do not have an explicit focus on social enterprises.[7]

Some private initiatives provide capacity-building for social enterprises, including the British Council, Lanka Social Ventures and Lanka Impact Investing Network. Most of the initiatives are centred around Colombo.

2 Government as market participant

Government has provided regulatory support for access to credit and project-based funding, primarily focused on SMEs. Several of SME-focused policies are also taking social and environmental considerations into account.

2.1 Access to capital

- Vision 2025 also proposes to implement policies that allow for project-based lending rather than collateral-based lending. Project-based lending would focus on the business viability, sustainable approach, and social impact of businesses.[8] It requires banks to lend to eligible organizations at subsidized interest rates of 5 per cent, while the Government covers the balance.
- The microfinance bill of 2016 allows certified lending agencies to extend loans and working capital to SMEs with or without collateral. The bill allows lending institution to incorporate flexibility on interest rates, based on the business viability and growth prospects of the borrower.[9] Assessment parameters also incorporate social and environmental returns.
- The National Framework for Small and Medium Enterprise (SME) Development, launched in 2014, adopted a formal definition for SMEs for the first time. It takes a dual approach to facilitate access to credit to SMEs that generate 'triple-bottom line' results. It has sought to put in place institutions such as special lending windows, re-financing schemes, equity capital arrangements, and concessionary bank loans for SMEs.[10] This framework has been important for promoting the sector and providing visibility to SMEs. It also helps in identification of SMEs for various SME focused programmes and concessionary loans schemes (e.g. Riya Shakthi, Govi Navoda, Ran Aswenna 1, Maadya Aruna 1, Maadya Aruna 2, Rivi Bala Savi, Green Loan 1 and Green loan 2).[11,12]
- The National Policy on Cooperatives (approved in September 2019) lays down a statement of intent, targeted at businesses aligned with the SDGs to be registered

as cooperatives. It includes tax incentives, better credit access and support in technology transfer for businesses registered as cooperatives. A development fund is proposed to be established for providing support to development and administrative functions of the cooperatives.

- NEDA also provides a credit guarantee scheme for SMEs.

3 Government as market regulator

Various policies provide fiscal incentives to commercial projects that contribute to the sustainable development strategy of Sri Lanka.

3.1 Fiscal incentives (demand)

- The Strategic Development Projects Act, 2008, No. 14 promotes strategic development projects in the country by providing them with a tax break for up to 25 years. "Strategic Development Project", according to this law, is defined as an economic project which promotes national interest, and which is likely to bring economic and social benefits to Sri Lanka. On application from organizations, the Investment Board will recommend projects to the Cabinet of Ministers for approval.[14]
- The National Policy Framework for SME Development includes fiscal incentives to boost research and development by enterprises. SME cluster committees can suggest organizations that should receive support.[15] The framework aims to improve the investment in strategically important projects, including the provision of goods and services which yield positive social outcomes, better environmental outcomes, employment and technology transfer.

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A17 | Thailand[1]

Context

Between 2007 and 2017, private impact investors deployed $73 million, and development finance institutions deployed $1.6 billion of impact capital in Thailand.[2] Most of it is channelled into key sectors such as energy and financial services.

The social enterprise ecosystem of Thailand consists of a number of organizations operating with a social mission in the country. It is been estimated that there are about 116,000 social enterprises in the country.[3] These social enterprises are active in range of areas including education, employability, food, agriculture, healthcare and tourism among others.

Guided by the Sufficiency Economy Philosophy, the Government has been actively working towards the promotion of conducive impact business. Various pilot programmes, cluster care schemes and social businesses have been set up using the government budget. The Twelfth National Economic and Social Development plan has put a significant focus upon the promotion of social enterprises as a source of ensuring private sector participation in delivering social and environmental outcomes in the country.[4] It also lays down government budgeting and plans in line with Sustainable Development Goals. The National Reforms Council has also supported numerous initiatives related to social enterprises, including education, research and funding programmes. The Royal Decree on Social Enterprises Taxes (No. 621) and the Social Enterprise Promotion Act (2019) promote the social enterprise sector.

Several private players have support social enterprises (e.g. B-KIND Mutual Fund, Federation of Thai Capital Market Organization Association of Investment Management Committees). The Social Exchange of Thailand (SET) offers incentives to companies in considering a shift towards social enterprises. The exchange drafted the Thailand Sustainability Investment Index to list out companies working towards sustainable growth and having outstanding performance on environmental, social and governance aspects.[5] Some corporates have included social responsibility in their governance structure (e.g. Banpu Public Company).[6] In 2018, the Government Pension Fund (GPF) also launched a portfolio responding to environmental, social and governance criteria.

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**National strategy**		
	Social Enterprise Promption Act, 2019		
	Sufficiency Economy Philosophy		
	Dedicated central unit		
	TSEO, National Social Enterprise Promotion Office		
	Educational programmes	**Impact stock exchange**	**Capacity-building**
	Thammasat University	Thailand SEC regulation on debt crowdfunding	NIA
	North Chiang Mai Uni.		TCFC
	The Bangkok Uni.		ChangeFusion
			SET's Social Responsibility (SR) Center
Market participant	**Access to capital**		
	ThaiHealth		
	SE Promotion Fund		
	GPF		
	Thai Corporate Governance Fund		
Market regulator / legislator			**Specific legal form**
			Social Enterprise Promotion Act
			Royal Decree No. 621
			Fiscal incentives
			Royal Decree No. 621 and the Social Enterprise Promotion Act
	Impact reporting standards		
	THSI List		
	ESG Reporting required by SET		

1 Government as market facilitator

Government has taken a legislative approach to foster the growth of social enterprises by passing Social Enterprise Promotion Act.

1.1 National strategy

- To boost social enterprise activity in the country, the Government of Thailand passed the Social Enterprise Promotion Act in early 2019. The act recognizes the role of social enterprises in solving social, environmental and economic challenges. The act offers tax relief for corporations setting up social enterprises and tax incentives for social investment. The Act requires social enterprises to allocate 70 per cent of their profit to society or invest in social enterprise benefits, with only 30 per cent of the profit to be paid as dividend to the shareholders.[7]
- The Sufficiency Economy Philosophy is aimed at promoting a people centric approach to sustainable development by providing cultural integration and harmonization of SDG framework with the national goals. Currently over 23,000 villages in Thailand have SPE based projects in operation.[8] The philosophy is also claimed to have supported the development of the social enterprise sector.[9]

1.2 Dedicated central unit

- Set up in 2010 with a starting budget of $3 million, Thai Social Enterprise Office (TSEO) is responsible for organizing workshops, providing consultations and formulating and implementing policies towards promoting the social enterprise sector.[10] TSEO has funded around $100 million over 1,000 sector projects and activities since the year 2010.[11] TSEO also works on development of policies for the growth of social enterprises. The 5-Year Social Enterprise Plan, envisaged by TSEO, identified 6 major areas that required attention. These areas include organic farming, community refinement, microfinance, alternative energy and environment, health, and education. TSEO is now replaced with the National Social Enterprise Promotion Office (NSEPO) under the 2019 Social Enterprise Promotion Act. Under Social Enterprise Promotion Act a new office (National Social Enterprise Promotion Office) and a fund for promotion of social enterprises are planned to be established.

1.3 Capacity-building

- The National Innovation Agency, set up by Ministry of Science and Technology, partnered with the United Nations Development Programme to develop a platform to support and incubate social and inclusive businesses, and establish Thailand as a regional innovation hub. This partnership led to formation of "Youth Co:Lab" programme to promote youth social entrepreneurship.
- The National Innovation Agency has a dedicated track called Social Innovation Driving Unit (SID) which provides access to networks, expert consultations, incubation and other forms of support to social enterprises. So far, there have been 380 participants that have received incubation support. Some 101 participants have completed the programme and formed social enterprises. The National Innovation Agency supports 19 projects with an investment value of almost THB 120 million (approximately $3.6 million).[12,13]
- Thailand Collaboration for Change has been set up as a platform for capacity-building of NGOs and social enterprises through public and private sector collaboration. It connects social enterprises with expert networks and facilitates access to financial capital.[14] More than 250 organizations and more than 8,000 persons per organization have benefitted from its services.[15]
- Change Fusion, established under Thai Rural Reconstruction Movement Foundation under the Royal Patronage, supports and invests into social enterprises. It has received funding from TSEO, ThaiHealth and private sector financial institutions. It implemented two start-up incubation programmes namely Banpu Champions for Change and UnLtd. The Banpu Champions for Change started in 2011 is an incubation programme that specifically targets social sector start-ups. Seed funding is provided to around 10 start-ups every year.[16] Since the initiation, it has supported 82 social enterprises and 35 projects with outstanding performance have become sustainable enterprises.[17]
- SET has been promoting sustainability in business practices and investment through two initiatives: (1) fostering sustainable development and (2) expanding social impact investment among listed companies and investors. These initiatives are led by the SET Social Responsibility Center. It also provides tools to listed companies for sustainability education and implementation, such as sustainability assessment, business practice improvement.[18]

1.4 Educational programmes

- The Thammasat University and North Chiang Mai University have an established bachelor's programme in global studies and social entrepreneurship as a response to human resource demand for social enterprises and small businesses in the country.
- The Thammasat School of Global Studies has created a social innovation lab known as G-Lab to help social entrepreneurs develop sustainable social enterprises. The lab works with various sectors including government offices, private companies, NGOs and social enterprises.[19] The lab offers incubation services, workshops and co-creation opportunities with other project partners.[20]
- The Bangkok University has established the School of Entrepreneurship and Management which offers research programmes on social entrepreneurship, women entrepreneurship, and small family businesses.[21]

- Universities such as Srinakharinwirot University, Arsom Silp Institute of the Arts, Suranaree University of Technology and Udon Thani Rajabhat University provide courses on social entrepreneurship and social innovation.

1.5 Impact stock exchange

- The Thailand Securities and Exchange Commission (SEC) has issued regulation on debt crowdfunding through funding portals to increase alternative fund-raising methods for small and medium sized enterprises (SMEs) and start-ups. SMEs or start-ups may raise capital from retail investors up to a maximum amount of $6.5 million during the first 12 months and $13 million throughout the project.[22] Although the measure is sector agnostic, social enterprises have already benefitted by the move. Founded in 2012, Taejai.com is a crowdfunding platform that supports social projects. As of March 2020, nearly THB 95 million (approximately $3 million) has already been raised for over 300 projects of environment conservation, education, youth employment, and health.[23]

2 Government as market participant

The Government has launched some programmes to improve access to capital for social enterprises. However, there has been limited action in the impact procurement and outcome commissioning areas.

2.1 Access to capital

- The Social Enterprise Promotion Act has a provision to set up a social enterprise promotion fund to provide preferential loans and tax incentives to social enterprises. The fund will be based on the performance delivered by the social enterprises and will be financed by corporate donations and CSR programme. Accelerators and incubators that support social businesses can use the funds.
- GPF, the largest institutional investor in Thailand, launched an environmental, social and governance portfolio to invest in listed companies. In 2018, the GPF set up an investment portfolio worth $30 million to invest in 33 listed companies featuring in "Thai Sustainability Investment Index".[24] Subsequently, in November, 2019, the GPF expressed its intent to incorporate environmental, social and governance criteria into all its investments in domestic equities by March 2020.[25]
- ThaiHealth, channels around $120 million to support and sponsor social programmes and projects that promote health and well-being. ThaiHealth also operates an open grant plan to provide grants to social programmes and projects that operate in line with its objectives.[26]
- In 2017, 11 asset management firms jointly established The Thai Corporate Governance Fund to support good corporate governance practices in capital markets.[27] The fund was capitalized at THB 4 billion (approximately $120 million) as of February 2018.[28] To be eligible for investment, the companies are required to achieve at least a four-star rating in the Thai Institute of Directors' corporate governance report. Additionally, they must be certified by the Private Sector Collective Action Coalition Against Corruption, an initiative which verifies that companies have put in place anti-corruption policies and follow high compliance standards.[29]

3 Government as market regulator

Thailand has launched several policies and laws to support development of social enterprises. Initiatives targeting the supply side of impact investing are still under development.

3.1 Specific legal form

- The Royal Decree issued under the Revenue Code No. 621 defines social enterprises as a company or a partnership selling products or services for promotion of local employment and development of community without intention to generate highest profits to its partners. The decree also mandates re-investment of at least 70 per cent of company's profit for the benefit of farmers, disabled persons or for any other common benefits for a company to be registered as a social enterprise.

- With the Social Enterprise Promotion Act, specific legal form for social enterprises in Thailand has been established. The Act is a significant step towards defining the impact investment universe by providing a clear legal form to social enterprises.

3.2 Impact reporting standards

- Environmental, social and governance investing in the country has received significant attention from SET. Listing on SET requires environmental, social and governance reporting under the Rules, Conditions and Procedures for Disclosure regarding Financial and Non-financial Information of Securities Issuers. As a result, environmental, social and governance funding and reporting has gained traction. Annual assessment of the 'ESG 100' has been initiated to assess performance on ESG issues. The 2019 assessment included 771 companies.[30]
- The SET has formulated the Thailand Sustainability Investment List, showcasing companies with outstanding performance on ESG aspects.[31] Companies selected for the list must score at least 50 per cent on the assessments in each dimension, or those which are components of the Dow Jones Sustainability Index and meet qualifications criteria. The criteria cover assessments of corporate governance report quality, net profit and shareholders' equity, passing listed companies' qualifications for SET and the Market for Alternative Investment, and having no significant negative impact on ESG.[32] As of October 2019, the Thailand Sustainability Investment List list included 98 companies. These companies had a market value of THB 11.31 trillion (approx. $365 billion), accounting for 65 per cent of the combined market capitalization of SET and the Market for Alternative Investment.[33]

3.3 Fiscal incentives (demand)

- In addition to providing a definition for social enterprises, the Royal Decree No. 621 and the Social Enterprise Promotion Act offer 100 per cent corporate income tax exemption for social enterprises. In addition, companies which hold ordinary shares in social enterprises can also receive corporate income tax exemption for 100 per cent of the capital invested in the social enterprise (if the social enterprise pays dividend of less than 30 per cent. of the net profits to its shareholders).[34,35]

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A18 | Viet Nam[1]

Context

The impact economy in Viet Nam is emerging. The Government has been a major catalyst in developing the country's private sector over the past three decades, and has embraced the Sustainable Development Goals (SDGs). However, there are currently no policies or government funds specifically targeting the impact investing market. In 2020, the IMF estimated an additional 7 per cent of gross domestic product will be needed annually to achieve the SDGs[2] in Viet Nam.

Currently, impact investments in Viet Nam are most often made through development finance institutions (DFIs) and private impact investors. From 2007 to 2017, private impact investment in Viet Nam reached $26 million across 23 deals and DFIs provided a further $1.4 billion across 50 deals.[3] Nearly 60 per cent of private impact investment was in the information and communications technology and financial services sectors, mostly as equity (over 60 per cent). Given the nascent ecosystem for social enterprises and small scope of potential buyers for existing private impact investors in Viet Nam, exit options are limited, yet expected to develop as the ecosystem matures. For DFIs, most (nearly 75 per cent) investments are deployed as debt, with over 80 per cent of capital going to the financial services and manufacturing sectors. In terms of returns and exits, DFIs exhibit varied expectations. By reducing or sharing the risk, DFIs are sometimes able to support their investees in attracting commercial capital.

Viet Nam was the first country in South-East Asia to legally recognize social enterprises under the 2014 Law of Enterprises.[4] Still, as of 2018, approximately 80 of 22,000 social impact businesses have officially registered as social enterprises,[5] indicating ample room for the development of policies that encourage companies to operate as social enterprises. The majority of impact and social enterprises in Viet Nam operate in traditional industries, like agriculture and education and struggle to qualify for domestic loans or attract domestic investors, who are mainly interested in high-growth tech start-ups. The impact investing ecosystem in Viet Nam is still in its early development phase. Strong local enablers or a leading national organization to drive its development would be a substantial catalysts for faster growth of social enterprises.[6]

Key initiatives

Government role	Supply	Intermediaries	Demand
Market facilitator	**National strategy**: Vietnam Socio-Economic Development Plan (2016-2020)		
	Educational programmes: Center for Social Innovation and Entrepreneurship, National Economics University		**Capacity-building**: Law on Support for SMEs, 2018
Market participant	**Access to capital**: Law on Enterprises, 2014; Scheme on Green Bank Development, 2018		
Market regulator / legislator	**Specific legal form**: Law on Enterprises, 2014		**Fiscal incentives**: Law on Enterprises, 2014
	Impact reporting standards: Programme on Benchmarking and Ranking the Most Sustainable Companies in Vietnam, VCCI, 2016		

❶ Government as market facilitator

The Socio-Economic Development Plan of Viet Nam signals the Government's broad intent to support impact enterprises. Capacity-building by the Government primarily targets SMEs, while social enterprises find support through the national universities, typically in partnership with private and non-governmental actors.

1.1 National strategy

- The Five-Year Socio-Economic Development Plan 2016–2020, drawn up by the Ministry of Planning and Investment, outlines key focus areas and development strategies for the overall inclusive and sustainable development of the country. It offers clear targets for all government agencies to support private sector projects that produce positive social and environmental outcomes. For example, the Plan sets new measures for prioritizing foreign direct investment, namely, to select "high-quality, high-technology, environment-friendly projects". The Plan also aims to include social enterprises in public service delivery and sectors of social importance, such as health care, education and agriculture.[7]
- The Ministry of Planning and Investment has announced that, as a result of the strategy, the macroeconomy in Viet Nam became more stable, economic growth was positive and foreign direct investment increased significantly, reaching their highest value ever at over $20 billion in 2019 (up nearly 7 per cent from 2018).[8] The Ministry of Planning and Investment has highlighted key shortcomings to be addressed in the next five-year phase (2021–2025), including tackling a widening income gap in Viet Nam and reaching those who still face difficulties or have been left behind in previous strategies.[9] Various United Nations agencies and the Ministry of Planning and Investment have partnered to mainstream the SDGs in the 2021–2025 Socio-Economic Development Plan, as well as the longer-term 10-year Socio-Economic Development Strategy (2021–2030).[10]

1.2 Capacity-building

- Under the law on support for small and medium-sized enterprises (SMEs), the Government supports SMEs seeking consultancy services, information and human resource development. While the law does not specifically target social enterprises, SMEs that meet the general "social enterprise" definition are considered a priority to receive support, including companies owned by women, or those operating in agriculture, aquaculture and related sectors. Assistance provided is based on the size of the enterprise (defined by total capital deployed). Smaller organizations receive up to 100 per cent of the costs incurred, for example, in procuring consultancy services for market development. Support for training is provided in areas such as business administration, vocational training, trade promotion, and commercialization, among others.[11]

1.3 Educational programmes

- In 2017, the National Economics University established the Centre for Social Innovation and Entrepreneurship with assistance from the British Council. This hub for social impact enables knowledge-sharing and collaborative projects through its nationwide network of mentors, lecturers and trainers for social enterprises. Social innovators and social impact start-ups receive access to co-working space and start-up incubation services from advisors at the Centre. Within its first two years, the Centre completed 10 impact projects and incubated 20 impact start-ups, reaching 5,000 direct beneficiaries.[12] It has also developed training programmes and curricula for social enterprises. In 2018, the Centre partnered with the United Nations Development Programme on a large research study on the social impact business sector.[13]

❷ Government as market participant

Through the Law on Enterprises 2014 and a green bank scheme, the Government has provided directives to increase financial flows toward businesses that generate positive social and environmental impact.

2.1 Access to capital

- Under the 2014 Law on Enterprises (and subsequent Decree No. 96/2015/ND-CP[14]), social enterprises are permitted to receive foreign non-governmental aid, as well as financial donations from individuals, businesses, non-governmental organizations and foreign entities in the form of investment, grants and aid. The Decree mandates that the proceeds of funding can only be deployed to achieve better social and environmental outcome. When receiving such aid, social enterprises must publish its "Commitment" to achieve social and environmental objectives, including details of how the funding will be used. Within 90 days from the end of the fiscal year, social enterprises must also submit a social impact assessment report to the local Department of Planning and Investment. Furthermore, Article 2 of the Decree states that social enterprises are entitled to "investment incentives and support in accordance with the law."

- In 2018, the State Bank of Vietnam issued a scheme on green bank development. Through clear directives to both the State Bank of Vietnam and other credit institutions, it aims to raise awareness of, and establish corporate responsibility within the banking sector on environmental protection and climate change. It promotes increased lending by banks to environmentally sustainable projects and green industries. By 2025, it is envisaged that all banks will develop internal regulations on environmental and social risk management in lending activities.[15]
- Multiple development agencies have issued social bonds in the country. For example, in 2017, Mekong Business Initiative set up the Women's Initiative for Startups and Entrepreneurship, a network of more than 30 DFIs, investors, incubators and business associations dedicated to fostering women entrepreneurship in Viet Nam.[16]

3 Government as market regulator

The Law on Enterprises of 2014 recognizes social enterprises as a distinct legal entity and proposes fiscal incentives such as favourable investment structures or land lease at concessional rates.

3.1 Specific legal form

- Viet Nam recognizes social enterprises in three legal forms, based on the ownership model. The Law on Enterprises of 2014 also mandates social enterprises to reinvest a minimum of 51 per cent of profits in business activities that generate better social and environmental outcomes. The law has also simplified the licensing procedure for social enterprises and established a single registration process.[17,18]

3.2 Fiscal incentives (demand)

- The Law on Enterprises of 2014 and subsequent Decree 96/2015 provide tax incentives to enterprises whose business is aligned to generate positive social or environmental outcomes. It proposes to extend investment incentives to social enterprises. However, working guidelines for incentives have not yet been published.[19] Viet Nam also offers general incentives to enterprises operating in the fields of education, training and vocational training, medicine, culture, sports, and environment. Incentives are extended as preferential price on land lease or reduction in corporate income tax.[20]

3.3 Impact reporting standards

- Though no formal reporting standard has been established by the Government, in 2016, the Vietnam Chamber of Commerce and Industry and Vietnam Business Council for Sustainable Development, in cooperation with various ministries and departments[21] launched the "Programme on Benchmarking and Ranking the Most Sustainable Companies in Viet Nam in 2016". The initiative was floated to promote and recognize companies actively addressing issues around social and environmental sustainability.

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[1] We thank Le Trang Hoang, Inclusive Business Project Manager, Center for Social Initiatives Promotion, for her assistance and support in developing this country assessment.

[2] Achieving the SDGs in Viet Nam will cost an additional 7 per cent of gross domestic product per year, and it will require a strong policy environment to mobilize the right actors and finances. See Baum, A. (2020). Vietnam's Development Success Story and the Unfinished SDG Agenda. IMF Working Paper.

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[7] The Five-Year Socio-Economic Development Plan, 2016-2020 (2016). Retrieved from http://pubdocs.worldbank.org/en/839361477533488479/Vietnam-SEDP-2016-2020.pdf.

[8] Ministry of Planning and Investment (2020, January). Brief on foreign direct investment of 2019. Retrieved from www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=45020&idcm=122.

[9] Ministry of Planning and Investment (2019, May). MoPI crafts socio-economic development strategy in 2021-2030. Retrieved from www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=43286&idcm=92.

[10] See https://unsdg.un.org/un-in-action/viet-nam.

[11] Decree No. 39/2018/ND-CP Retrieved from http://htclawfirm.com.vn/2018/04/05/reported-cases-of-fgm-rise-sharply-in-uk-yet-still-no-court-convictions/?lang=en

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[15] Decision No.1640/QD-NHNN approving the scheme on the green bank development in Viet Nam.

[16] The Mekong Business Initiative is a social impact project funded by the Government of Australia and the Asian Development Bank. See AVPN (2019, March). Social Impact Landscape in Asia, Vietnam. Retrieved from https://avpn.asia/si-landscape/country/vietnam/.

[17] Vietnam Briefing (2017, October). Facilitating SME Growth in Vietnam. Retrieved from www.vietnam-briefing.com/news/facilitating-sme-growth-vietnam.html/.

[18] The Landscape for Impact Investing in Southeast Asia, GIIN.

[19] Ministry of Justice (2015). Vietnam Enterprise Law 2015. Retrieved from www.moj.gov.vn/vbpq/lists/vn bn php lut/view_detail.aspx?itemid=30647.

[20] As per Decree 69/2008, referred from Fostering the Growth of the Social Impact Business Sector in Viet Nam, Ha Noi, 2018

[21] The ministries and departments include the Ministry of Labour, Invalids and Social Affairs, the Ministry of Industry and Trade, the Ministry of Natural Resources and Environment, the Viet Nam General Confederation of Labour, and the State Securities Committee of Viet Nam.

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