Asia's embrace of social enterprises:
governments lean in

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Asia is awash with enthusiasm for social entrepreneurship, and Asian governments are demonstrating their faith in it not only with ancillary services but with cold, hard cash.

Hong Kong has earmarked up to US$142 million to fund established and start-up social enterprises. Singapore is willing to pour $6 million in direct grants and investment into "a business entity that is set up with clear social goals".[1] South Korea is funnelling $28.3 million annually into the government agency that supports social enterprises, while Thailand has pledged $1.2 million in direct resources. India has announced a gargantuan corpus of $748 million for the India Inclusive Innovation Fund "that will drive and catalyse the creation of an ecosystem of enterprise, entrepreneurship and venture capital, targeted at innovative solutions for the bottom of the pyramid".[2]

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The tricky part here is the degree to which commitments are being translated into action. Although announced in 2014, the India Fund is still designing the specifics regarding the who, why and how of the distribution of this money. Thailand's pledge appears to have remained just that thus far. There is also great variability in the region on what constitutes a social enterprise. The write-up for the India Fund highlights the goal of supporting world-class enterprises that focus on the problems of the poor. This is a broad definition. The South Korean definition stresses the primacy of the social bottom line: "a

[1] *Singapore Centre for Social Enterprise (raiSE): https://www.raise.sg/resource/.*

[2] *India Inclusive Innovation Fund, a proposal of the National Innovation Council: http://innovationcouncilarchive.nic.in/*

company which performs business activities while putting priority on the pursuit of social purposes". Thailand narrows the definition by stipulating that social enterprises should reinvest profits. However, one thing is clear. A social enterprise must perform the delicate balancing act of meeting its financial obligations while staying true to its social imperatives.

Ancillary support

It is encouraging to see that all of the funds we researched also offer fortifying ancillary support ranging from help with networking and mentoring, to incubation hubs and registration assistance. The key question here is: who is doing the mentoring? Generally, government bureaucrats and officials do not necessarily know what makes a business plan viable. It is important that people with on-the-ground business experience are brought into the mix so that their experience can be brought to bear on projects. In Hong Kong, the Social Enterprises Partnership Program bridges precisely this gap by serving as matchmaker between start-up social enterprises and private sector mentors who work with the teams as they develop their ideas and launch them as businesses.

South Korea goes a step further in creating an enabling ecosystem: by giving priority to social enterprises in government procurement contracts. The rapid rise of social enterprises in Taiwan over the last decade can at least partly be attributed to the strong role of public-private partnerships. Public-private partnerships, if done right, are a deeply effective way of nourishing the creation of the 'fourth sector', the emerging hybrid space that social enterprises occupy. Acting as 'for-benefit' organisations[3] that combine the profit-motivated approach of the private sector with the social goals of the public and non-profit sectors, social enterprises are uniquely positioned to be sustainable and impactful.

And so, it is exciting to observe that while national-level programmes in some Asian countries are still consolidating, support – and innovation – at the state and city levels is mushrooming. The Indian state of Gujarat announced in January of this year that it is making $29.3 million available to enable students to launch 500 start-ups over the next five years, which will include social enterprises. According to the Spring 2017 supplement of the Stanford Social Innovation Review, various cities in China followed suit after Shanghai launched a venture philanthropy fund for organisations to provide care for the elderly. The Seoul Metropolitan Government fully funds an entire chain of intermediary organisations to support social enterprises, from ideation to incubation to investment loans.

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[3] *fourthsector.net.*

The private sector across Asia is also moving full steam ahead in its engagement with social entrepreneurship. Corporate social responsibility (CSR) programmes are increasingly recognising the benefits of partnering with social enterprises. Impact investing and venture philanthropy funds are burgeoning. In India alone, the Ministry of Commerce lists 209 funds offering financing to new business enterprises and, while not all include social enterprises, many do. The government's fund will add to this support.

Raising awareness of social enterprise

A challenge from an unexpected source arises here: social enterprises themselves. Although more government and private funding is available, there simply may not be enough social enterprises yet to receive the funds. Part of the reason is that in places like China and Hong Kong where social enterprises originated as non-profits, many remain small and lack the business acumen to scale up. Another reason is that existing businesses that may operate as social enterprises are not aware of this classification and so do not explore funding available for social enterprises.

Governments must work hard to not only make resources available, but also to disseminate information about these resources and raise awareness about social enterprises. It is worthwhile to look into legislation specifically for social enterprises. This could both incentivise traditional businesses to add social impact to their bottom line, and encourage start-up growth in this space. Heartening as it is to see Asian governments allocate resources to social enterprises, there is more they can do to play the role of a great enabler of the fourth sector.

There is no doubt about the widespread enthusiasm and support for the creation and growth of social enterprises across Asia. Governments recognise that the most important component of government schemes is the availability of capital, especially in the start-up phase of the effort. There is also recognition of the support services required to move social enterprises along the spectrum from uncoordinated innovation to coordinated and effective innovation. Most encouragingly, contrary to how government departments traditionally function, agencies supporting social enterprises are embracing Silicon Valley-style innovation and trying to be nimble in response to needs.

Conclusion

It is still early days and there is much experimentation taking place. As more and more people try their hand in creating new social enterprises, we will learn a great deal and in the process spur maturation of the fourth sector. This, ultimately, can only lead to win-win solutions for a better world.