Symposium 2012 Report

Date: 6th - 7th October, 2012
Place: The Nippon Foundation, Tokyo, Japan

Speakers

- Ms. Satoko Kono (ARUN)
- Mr. Ben Simmes (Oikocredit)
- Ms. Sachiko Nishioka (ARUN)
- Mr. Lem Chansamrach (ARUN)
- Ms. Molly Alexander (Acumen Fund)
- Mr. Vineet Rai (Aavishkaar)
- Mr. Yi Sokthearith (Frangipani Villa Co. Ltd.)
- Mr. Hiroshi Sato (ARUN)
- Mr. Kakutaro Kitashiro (ARUN)
- Mr. Chea Chan Theborras (Frangipani Villa Co. Ltd.)
- Dr. Yang Saing Koma (CEDAC)
- Mr. Osio Chan Theboras (Frangipani Villa Co. Ltd.)

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Preface

ARUN invests in social enterprises, which create greater social value and builds a knowledge sharing platform on social investment.

The International Symposium, “CREATING OUR FUTURE THROUGH SOCIAL INVESTMENT” was held in Tokyo in 2012, bringing individuals and experts from the leading social investment organizations and social enterprises across the world together.

Today, social investment is getting attention as a form of impact investment, with the increase of social investment fund and the rise of promising entrepreneurs. After March 11th of 2011, a number of funds have been created to support the rehabilitation of communities in the Tohoku region affected by the earthquake and the tsunami. This is an example of social investment attempts in Japan, in order to provide long-term solutions to critical issues with sustained support.

The Symposium was filled with lively discussions and sharing of experience from the guest speakers and participants. More than 350 people in total participated in the two-day symposium. It was a great opportunity to exchange ideas such as how we can connect and integrate social business better in our society, and how we can create a more sustainable and enjoyable social investment platform.

We would like to express our sincere appreciation to our guest speakers and participants. We are grateful for the Japan Foundation for their kind sponsorship. Our thanks also go to JICA, JETRO for their support and AVPN, CSR Asia and the Nippon Foundation for their cooperation.

This report aims to provide a brief summary of the symposium. Readers are welcomed to join with us to make this move forward.

1. Opening and Welcome Message

Ms. Satoko Kono  President, ARUN

We are very pleased to hold Japan’s first International Symposium focused on social investment. I would like to thank our distinguished guests and all participants who came to join us today.

I spent 10 years working in Cambodia and met many people trying to help the poor, which was mostly supported by charity and assistance from foreign countries. When I got a request for investment from a Cambodian social entrepreneur, I realized that what people in Cambodia need is an opportunity to build business which lead to sustainable development. Entrepreneurs have potential to create significant social impact on local communities while generating financial return.

ARUN envisions a society where all members live and enjoy the full range of their talents and abilities, regardless of background and economic status. We aim at creating a social investment platform which connects social entrepreneurs in developing countries and investors in Japan. The scale of ARUN’s work has been increasing: we started in 2009 having only 10 partners with 150 thousand USD capital, and now we have nearly 800 thousand USD capital and 82 partners including a corporate partner. Currently we invest in 4 social enterprises in Cambodia. ARUN and ARUN LAB members are contributing to creating a trend of social investment, as it is relatively new in Japan. They bring specialized knowledge and experience from their business, finance, research and other backgrounds.

Today we share this important agenda, finding a way to pursue both social return and financial return, in order to create a better society together. All our invited guests are already working towards this important challenge. They are from the social investment funds, Oikocredit, Acumen Fund, and Aavishkaar, and social entrepreneurs from Cambodia, Sahakreas CEDAC and Frangipani. We sincerely hope this symposium will nurture the development and expansion of social enterprise and social investment. Please enjoy!
Oikocredit, a pioneer of social investment, is one of the world’s largest private funds to developing nations. Mr. Ben Simmes, Managing Director, introduced us to the idea and the trend of social investment, and practices of Oikocredit.

First of all, it is important to understand that there is a basic distinction between “economic benefits” and “social benefits” in social investment. Along with maximizing the profits from investing, it is required to consider damage to society and we seek to encourage a positive impact from the money invested. We try to balance these two returns and certainly seek economic success, but the most important outcome is producing benefit to society and the environment.

The trend of social investment has been rising in these days. There are a variety of methods such as negative and positive screening, and targets such as fair trade organizations, microfinance institutions, and small business projects. The reason why interest in social investment has been growing is because of the miserable experiences of great social loss caused by the excessive pursuit of economic benefits. You should not rely on government and commercial capital but learn the use of capital for future contribution to our society.

Referred as “Development Finance Cooperative”, Oikocredit supports building up financial systems to empower people in many developing nations. The primary target is microcredit institutions, and if the benefits exceed 2% dividend to investors, all excess profits will be put into further investment. Therefore, Oikocredit has succeeded in involving 45,000 investors and 600 million investment capital, 600 supporting groups in 35 countries, and people in local communities in developing nations such as Kenya, Cote d’Ivoire, Guatemala, Ghana, etc.

In fact, the majority of individual investors in Oikocredit are not very wealthy but in the middle class. Every one of them is highly aware of spending money for social benefits. I hope that every participant will become an investor in ARUN, and bring about a change in society.

Mr. Ben Simmes  Managing Director, Oikocredit

In this session, the representatives from ARUN, Acumen Fund and Aavishkaar shared the brief history, investment activities and achievements of each organization.

ARUN started in 2009, and has invested a total of $1,145,000 to four companies. The mission is to create a platform that connects entrepreneurs and investors, and to support social entrepreneurs through financial and technical support. ARUN selects investment based on both (1) business feasibility such as business model, financial situation and expected returns, and (2) social impact such as employment creation, contribution to society, leadership and regional vitalization. The next step is managerial support. It is important to ensure business continuity by analyzing market conditions, monitoring to improve the model and visiting sites to see the impacts of business. ARUN is willing to build up a network where entrepreneurs and investors grow together across more and more countries and businesses.

Acumen has invested $80 million dollars to 70 social enterprises, improving the living conditions of 90 million individuals, and creating 60 thousand jobs in India, Pakistan and East and West Africa. It is a non-profit fund, investing philanthropic or “patient capital” combined with management support over a long term horizon to build these businesses focused on serving the needs of the poor, contributing to a variety of core sectors, such as agriculture, healthcare and housing. Enterprises are selected for their ability to maximize social impact while balancing financial returns; each company over time must have a path to being financially self-sustaining. As an investor of high-risk philanthropic capital directly into the enterprises, Acumen partners directly with the entrepreneurs to build break through businesses that change the way we think about delivering goods and services to low income communities.

Aavishkaar aims to form a simple fund to innovative ideas causing social change in the west and south India. Total investments are $30 million to 30 companies, and it is planned to invest in 25 new projects over the next 3 years. Aavishkaar was founded in 2001, and started to invest in entrepreneurs who can run a business tackling a high degree of poverty in a province. It is difficult to find such people who have both great ideas and management skills to make decisions, but the entrepreneurs invested have succeeded in providing services to 2.6 million people. Aavishkaar has raised $100 million in funds since 2010. The growth shows a simple interaction with a local business and a small investment can make significant social change.
4. Presentation:
"Pioneers of Social Business in Cambodia"

In this session we welcomed the founders of CEDAC and Frangipani Villa to discuss the background and challenges faced in their activities as the pioneers of social business in Cambodia.

First, Dr. Yang Saing Koma presented the work by Sahakreas CEDAC (SKC) and CEDAC. SKC is the social business section of CEDAC NGO, which provides organic rice production techniques to increase the value and productivity of rice in rural Cambodia. SKC specifically supports Cambodian farmers to establish an association and gain direct access to the market. SKC business is contributing to improve net income from organic rice farming and strengthening cooperation among organic rice farmers. SKC's greatest impact is seen in the heightened motivation among the farmers.

Because of powerful mid-buyers who set low prices for paddy rice, farmers have been suffering and losing confidence. As they learn that they can take the ownership of business and set their prices, they are regaining confidence and motivation towards agricultural businesses. Dr. Yang believes adding rice mills to the current system will increase the income independence of the farmers even more. He proposes to collect funds from the farmers who will be using the mill, and the farmers will become the milling company's shareholders. He says the challenges of SKC includes explaining the benefits of joining CEDAC activities to the farmers, obtaining and nurturing managers and other human resources, and collecting funds for the rice mill project.

Next, Mr. Chea Chan Theborras and Mr. Yi Sokthearith shared with us their work at Frangipani Villa Co. Ltd. They began Frangipani business to (1) protect buildings with aesthetic, cultural and historical values, (2) provide comfortable and reasonable hotels for visitors to Cambodia, (3) overcome the negative images of war and poverty, and (4) provide employment. In addition to making profits, they also seek to fulfill social responsibilities. They take care to protect and preserve traditional designs and architecture styles in Cambodian cities, be environmental-friendly, provide opportunities for career development at all levels, and contribute to local community development. Challenges include nurturing a capable management team, including human resources management, sales, marketing, IT, and service, and also to obtain necessary finances.

Panelists:
Dr. Yang Saing Koma
President, CEDAC
Mr. Chea Chan Theborras
Co-founder, Frangipani Villa Co. Ltd.
Mr. Yi Sokthearith
Co-founder, Frangipani Villa Co. Ltd.
Mr. Kitaru Ueda
Partner, ARUN (Moderator)

5. Panel Discussion:
"How to Improve the Impact on Social Investment"

In this panel, the representatives from all participating social investment organizations responded to questions regarding how to expand the idea of social investment across Japan and beyond.

First, in response to Mr. Hiroshi Sato’s question “how do you balance the financial and social benefits?” Mr. Ben Simmes and Ms. Molly Alexander stressed the importance of the financial success. Oikocredit has declined investment requests from many companies because they lacked promising financial basis. At the same time, Ms. Alexander discussed how Acumen realizes that financial returns for social businesses may take longer, and their requirement for an interest return rate is not as high as traditional venture capitals. Acumen is willing to make long-term plans so that companies have the time and support required to generate revenues and return capital.

Mr. Vineet Rai and Ms. Satoko Kono shared their view on how to determine which company they will invest in. Both said that having a conversation with the entrepreneurs and finding out their visions, approaches, potentials and interests in social benefits is the most important point. They also discussed the difficulty of finding and managing employees who have experience in both social giving and profit seeking and are able to integrate both worlds. ARUN also has a unique challenge in maintaining contacts among 80 partners, though ARUN sees it as strength.

Finally, all shared their views on cooperation and competition among social investors. They all shared the belief that cooperation is significant and beneficial to each other. Mr. Simmes believes that in order to spread the idea that money can be a tool to make a better world, it is necessary that social investors work together with creative ideas. Ms. Alexander indicated that learning from mistakes from each other's experience should be enhanced, in addition to co-financing and on-going dialogues.

Panelists:
Mr. Ben Simmes
Managing Director, Oikocredit
Mr. Vineet Rai
Managing Director, Aavishkaar
Ms. Molly Alexander
Business Manager, Acumen Fund
Ms. Satoko Kono
President, ARUN
Mr. Hiroshi Sato
Partner, ARUN (Moderator)
6. Group Seminar Sessions

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“Innovative Process and Challenges in Social Investment”

Panelists:
Mr. Ben Simmes
Managing Director, Oikocredit
Mr. Vineet Rai
Managing Director, Aavishkaar
Ms. Molly Alexander
Business Manager, Acumen Fund
Mr. Lem Chansamrach
Cambodia Representative Manager, ARUN
Mr. Hiroyuki Tsuzaki
Director, ARUN (Moderator)

In this session, panelists were asked about the difficulties in practicing social investment. The following is the summary of the discussion.

First, they discussed how to build a good relationship with entrepreneurs that they invest in. Though the relationship is different depending on the characteristics of each organization, the first common important point is to strictly assess the potentials and risks of entrepreneurs’ businesses before starting investment. After deciding to invest, they have to share each other’s idea and vision, and investors should provide not only money but also best values to entrepreneurs. Also making efforts to remain patient by ensuring deep dialogue and maintaining close communication is quite important. Most of all, social investors should not be feared by social entrepreneurs, but should support them through partnerships.

Next, they discussed the difference between general investment and social investment. Even though it seems they have the same difficulties and challenges, the big difference is that social investment values having a mission, goal, social and financial impact of business.

Finally, they discussed the limitation of social investment. They said social investment was not a panacea for solving all problems. As the infrastructure for success in social investment, development of a legal system, aid for poor areas, and education assistance for human development by governments and international organizations are necessary, so it is important to corporate with each other to address social issues in the world.

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“Measuring Social and Environmental Impact: How to Evaluate and Monitor Social Return on Investment”

Panelists:
Mr. Ben Simmes
Managing Director, Oikocredit
Ms. Molly Alexander
Business Manager, Acumen Fund
Dr. Yang Saing Koma
President, CEDAC
Mr. Chea Chan Theborras
Co-founder, Frangipani Villa Co. Ltd.
Mr. Yi Sokthearith
Co-founder, Frangipani Villa Co. Ltd.
Ms. Mari Iwata
Partner, ARUN
Mr. Hiroshi Sato
Partner, ARUN (Moderator)

In regards to how to achieve social impact, Mr. Ben Simmes says that all you need is to know whether the impact to be measured appropriately follows the same goal for the investment and the mission of entrepreneurs. “ESG scorecard” can help measure social impact by collecting various data from entrepreneurs and sharing the impact and problems among investors. Also, Ms. Molly Alexander introduces the output-based technique to measure the social impact of its investment. She said that investors need to work closely with the entrepreneur over time. Not everything we want to know about social impact can be measured, so it is important to continue to observe and collect as much meaningful data as you can.

ARUN has been exploring how to measure the social impact of its investments. It instead monitors the current status of the investees and shares the information with investor partners and investees to improve the social and business performance of investees. Similar to other speakers, ARUN mentions that it is important as the basis for the investment to have shared mission and destination between both investors and investees, and put the focus on the results that can be quantitatively measured.

As the closing remark, Mr. Hiroshi Sato concluded that the scale of the foreign social investors like Acumen Fund is large enough to make a return from its investment. But ARUN is still a very small fund and needs to develop. It is also hoped that the movement of social investors will grow and more and more investors will join the move.
“Youth and Social Business: Social Business Planning in Developing Countries”

Presenter:
Mr. Tomo Shoji
ARUN LAB

Ms. Mio Kitayama
ARUN LAB

Panelists:
Dr. Yang Saing Koma
President, CEDAC

Mr. Chea Chan Theborras
Co-founder, Frangipani Villa Co. Ltd.

Mr. Yi Sokhearth
Co-founder, Frangipani Villa Co. Ltd.

Mr. Kengo Takeda
ARUN LAB (Moderator)

In this session, Mr. Kengo Takeda reported the results of the social business competition in which participants including students from Myanmar and Cambodia attempt to create business ideas to address social issues existed in developing countries. This competition was held in August 2012 in Phnom Penh, Cambodia. The competition took place for a week including field research and business planning, and estimated 120 people were in attendance to see the presentations on the final day. As a consequence, it appeared in the local newspaper and other media with successful public advertisement.

Then, Mr. Tomo Shoji and Ms. Mio Kitayama presented the details of their business ideas: one is about providing school buses for about 6,000 students of 20 public schools and the other is to supply cloth sanitary napkins in Cambodia. While both ideas were beneficial to tackle social issues such as traffic accidents, bad sanitation, environmental pollution and the like, they had difficulties in finding out the core problem of Cambodia with a limited knowledge of students and cost estimate for a short term in the competition.

Next, panelists gave their assessment on each business idea illustrated by presenters. According to Dr. Yang Saing Koma, this series of business competition is highly beneficial because there have been few chances for such an event in Cambodia. Mr. Yi Sokhearth also mentioned that the critical thing is not only the creation of business to tackle social issues but also sharing passions, ideas and missions with partners to practically set up innovative businesses.

Finally, panelists commented on this section of the meeting. Mr. Chea Chan Theborras explained the importance of analyzing the questionnaire deeply and segmenting customers more precisely during the competition. Dr. Yang pointed out that this competition is a good exercise to contemplate the idea, but it is better if there is a scheme to facilitate business development. Lastly, Mr. Yi urged us to start what we really like on a small scale.

“Social Investment and Scaling-up Partnerships: Role of Public Sectors and Foundations”

Presenter:
Mr. Kengo Takeda
ARUN LAB (Moderator)

Panelists:
Mr. Vineet Rai
Managing Director, Aavishkaar

Ms. Makiko Tanaka
The Nippon Foundation

Ms. Sachiko Nishioka
Partner, ARUN

Mr. Kazuyuki Tsuchiya
Director, ARUN

Fundraising in Japan is still small and lacks of variety, compared to other places such as European countries and the United States. Also, the number of participants engaged as social investors is limited. This session explored how to advance Japanese fundraising, learning from success stories of other countries.

Aavishkaar is a social investment fund in India, which has a larger size of funds and more diverse partners such as national institutions, private investors, and foreign investors, than Japanese social investment funds. By sharing its story to expand the size of the fund, Mr. Vineet Rai talked on the relationship between the fundraising of social investment and partnerships with external supporters. According to him, “fundraising starts from individual investors, and gradually moves to private foundations, public financial institutions, development financial institutions, and finally to private investors.” Also, he introduced four key points to expand the fund; (1) Develop a good team with strong commitment, (2) Make an investment plan to be successful more than 50%, (3) Always consider your quantitative goal, and (4) Focus on people in the field (to see what they are passionate about). It is hard to achieve success in social investment, so we need to be patient and have a long term mindset.

Ms. Makiko Tanaka from the Nippon Foundation agreed with these four points that Mr. Rai introduced. She also stated that it is critical to keep exploring the shared mission between investee and investors. For fundraising, it is needed to develop a partnership with foundations whose mission can be along with those of fundraisers.