

## From Social Investment Forum to Social Investors Club – *Green Shoots of a Social Capital Market in Hong Kong*

One of the major highlights of last year's **Social Enterprise Summit** in Hong Kong was the **Social Investment Forum**, held on the last day of the two-day event. Three months before the Forum, a **Call for SE Projects** was announced to invite social enterprises seeking investment capital to submit their proposals. After a vigorous screening process, four projects were selected to give their presentation at the Forum. A panel of judges was at the Forum to evaluate the projects and one of the projects was chosen to receive the **Most Promising SE Project Award** which included a cash prize of HK\$50,000 and the opportunity for attracting investment from interested parties. The Award winner was Dr. Grooming, a start-up social enterprise founded by an ex-addict who wanted to create employment opportunities for young ex-addicts. Subsequently, Dr. Grooming has been able to raise a capital of over one million dollars.



The overall reception and response to the Social Investment Forum was so positive that the organizers of the Social Enterprise Summit have decided to make it an integral part of the Summit so that the Forum will be held each year during the Summit. The Call for SE Projects announcement will be made in early August this year (please see attached flyer).

### Significance of the Social Investment Forum

This path-breaking initiative is significant in a number of ways. First, for the first time in Hong Kong there was now the opportunity for social enterprises looking for prospective investors to present the projects to interested parties. Previously such opportunity was available only to social enterprises with an NGO affiliation; they were qualified to apply for funding in two Government-administered schemes. From now on, any individual with a sound proposal will have the opportunity to meet with prospective investors through participating in the Social Investment Forum.

Second, the process of being selected for presentation at the Forum was a challenge and a great learning experience for those who were submitting a project. They would have to learn about the art and science of preparing a business proposal and to respond to questions and suggestions by the judging panel. The workshops organized during the process provided added knowledge and inspiration for the candidates.

Third, the final presentation at the Forum was designed in such a way that it would be educational for everyone concerned, including the entire audience. Representatives of the judging panel would brief the audience on the criteria of assessing a social enterprise for investment and the presentations would feature live cases of projects that are worthy of financial support.

Finally, the entire screening and selection process highlights the importance of the social entrepreneur in any social enterprise initiative. In reviewing the proposals, the judging panel paid special attention to the qualities and commitment of the project owner who must demonstrate both entrepreneurship and passion for a social cause. In the absence of such a person, the project would be unlikely to be selected.

### **Beyond an Annual Event**

The Social Investment Forum was a great start. But it was not enough. We require more than an annual occasion to meet the rising needs of social enterprises looking for investment funding.

Shortly after last year's Forum, a group of passionate individuals was contemplating setting up an organization to fill this gap. To be sure, the HKSAR government has been providing seed money to social enterprises with NGO affiliation for a number of years. But the government schemes have serious shortcomings. To begin with, only social enterprises under the auspices of NGO are allowed to apply for funding. The funding has been provided in the form of grant, not loan or equity; this arrangement has resulted in an unintended consequence of discouraging the enterprises concerned to become truly entrepreneurial. What we need is a new kind of financial support for social enterprises that reward and encourage social entrepreneurship.



After months of deliberations, a new social enterprise in the form of Social Investors Club began to take shape and will be in operation in August this year. The basic objective of the Club is to ensure that no social enterprises with a sound business model will be deprived of investment capital.

### **Social Investors Club - How it Works**

The Chinese name of the Club is 社企投資會. The Club will have initially 10 members only; the number is deliberately small to ensure that all members will know each other well and work together in all projects. Each member commits an initial investment of HK\$100,000 which will form the basic pool of capital of the Club. The Club will screen and select social enterprise projects for financial support, in the form of loan or equity or a combination of the two. The Club will also be providing managerial advice to the investees so as to enhance their chances of success.

The Club will serve as a vehicle for channeling investment funding to social enterprises that deserve to be supported. Funding could come from one or more of these three levels.

*Level I is Club Investment* – after the Club members agree to support a particular social enterprise, it will commit a sum to invest in this enterprise. Given the limited capital pool of the Club, this amount might be rather modest.

*Level II is Individual Member Top Up* – An individual member might invest any amount in the chosen social enterprise at their own discretion, although there is no obligation or minimum amount for members to commit to.

*Level III is Leveraged Impact* -- The Club members have among them a sizable network of individuals and organizations who might be interested in investing in social enterprises. Once the Club has committed to invest in a particular social enterprise, it will inform the various parties of the decision so that they could consider investing into the social enterprise. When appropriate, the Club might seek out investors to form a consortium to invest in worthwhile projects.

It is anticipated that by enabling and facilitating the financial resources of various sources, the Club might be able to support a significant number of projects.

## Some Indicators of Success

How do we know that the Social Investors Club is fulfilling its mission? Some indicators of success of the Club might be:

- The number of social enterprises receiving financial support through the Club
- The total amount of investment being channeled to social enterprises through the Club
- The number of successful social enterprises among the Club's investees, as measured by the ability in creating significant social impact and being financially self-sustaining

But the Club has an even higher aspiration. It is committed to creating a model for mobilizing the abundantly available financial resources in the community to speed up the development of social enterprise and social entrepreneurship. Hong Kong has prided itself as one of the major financial centers in the world. But it is depressing to witness the almost complete absence of a social capital market. Hong Kong also has one of the highest per capita charitable giving in the world, but most donors are not aware of the potential benefits of putting their money in social ventures. Potentially, the Social Investors Club will prove to be a much needed alternative approach to making productive uses of capital for social causes.

With this consideration in mind, another indicator of the Club's success might be the replication of its operation in terms of multiplication of similar Clubs. Indeed, it is conceivable that the Club might be developed along the line of Rotary Club or Lions Clubs, with individual clubs running independently all sharing a same mission.

## Will it Work?

It is too early to say. It will come down to the entrepreneurial spirit of the Club members. There is a good mix of financial and social sector background among the ten founding members and they share a common passion to create a social capital market in Hong Kong. Only time will tell whether or not they will be able to create a breakthrough in this area. The ten members are:

Cliff Cheung	CEO of InterLeader Capital, an investment platform on private equity and real estate opportunities in Greater China. Former Chairman of HK Venture Capital Association.
Ming Wong	Formerly an investment banker, currently an independent financial advisor.
Eddie Ip	Retired asset management professional. Formerly a Managing Director at Bank of America.
Timothy Ma	Executive Director, Hong Kong Senior Citizens Home Safety Association. Awarded Social Entrepreneur of the Year – Asia Pacific, 2009, by the Schwab Foundation
Doris Kwan	Representing GIVE Venture Partners Ltd. Formerly Director and Head of Private Clients and Charities at HSBC Asset Management.
Freddy Law	Founder and CEO of Inter Cultural Education, a social enterprise spreading a new movement in learning and caring. Winner of the 2009 HK Social Enterprise Challenge.
Michael Luk	Retired university professor.
Teresa Hung Chi Wah	Retired secondary school teacher.
Chung To	Formerly an international banker. Founder of Chi Heng Foundation which focuses on AIDS prevention and caring for AIDS orphans in China. Named by JCI as one of the Outstanding Young Persons of the World in 2006.
K K Tse	Retired management consultant. Founding Chair, HK Social Entrepreneurship Forum.

*To learn more about the Social Investment Forum or the Social Investors Club, please write to [oscar@genesismarketing.com.hk](mailto:oscar@genesismarketing.com.hk)*

### Quotes of the Fortnight

名句精選

“Right now the world is too unequal and unsustainable to be stable.”

**Bill Clinton at  
Global Opportunity Forum,  
South Africa, July 2010**

### Video of the Fortnight

精選名片

**Journey to learn from leading  
Indian social entrepreneurs**



<http://www.journeysforchange.org/videos/india-social-entrepreneurship-journey-video>

### Book of the Fortnight

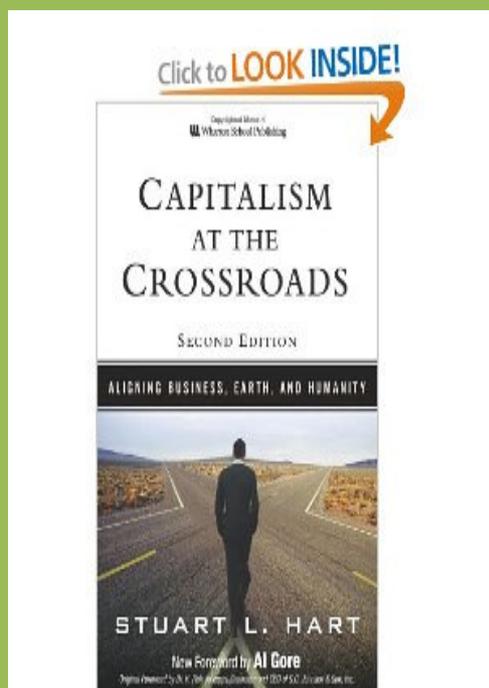
新書精選

**Capitalism at the Crossroads:  
Aligning Business, Earth and  
Humanity**

**By Stuart L Hart**

**(Wharton School Publishing: 2007)**

*Highly recommended*



### Website of the Fortnight

精選網站

**Harvard Business School's  
Social Enterprise Initiative**

<http://www.hbs.edu/socialenterprise/>

“We defined social enterprise as an entity that's primarily in the business of creating social value. As long as an organization creates significant social value, we don't care how it sustains itself—with internally generated surplus or with donor funds.”

**Prof. Kash Rangan,  
Harvard Business School**