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Impact Investing and Social Entrepreneurship in Southeast Asia post-COVID-19

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Abstract

Impact investing and social entrepreneurship have garnered increasing traction in Southeast Asia as means to drive inclusive growth aligned with Sustainable Development Goals. However, the COVID-19 pandemic has exacerbated inequalities and vulnerabilities across marginalized communities, creating pressing needs for market-based innovations catering to those left behind. This study undertakes an exploratory study to assess how the recovery trajectory is reshaping impact capital and social enterprise ecosystems to promote resilient, equitable development post-pandemic. Using a qualitative methodology, semi-structured interviews were conducted with 15 impact investors and social entrepreneurs operating across Indonesia, Vietnam, Thailand, Malaysia, Philippines and Singapore. Interview transcripts were coded through descriptive thematic analysis approach to map changing investor priorities, pivot in social enterprise models along with persistent and emerging barriers. Key trends identified include deepening digital divide driving focus on edtech and telemedicine enterprises, rising hunger and income precarity accelerating food security and livelihood-linked innovations. However, concerns remain around measuring real-world impact, human capital gaps and policy constraints regarding foreign investment and public procurement. The analysis informs recommendations including outcome-based blended finance vehicles, promotion of sustainable agriculture value chains, and streamlining cross-border investment flows for the ecosystem to drive recovery aligned with ASEAN sustainable development commitments.

Keywords: Impact Investing; Social Entrepreneurship; Social Enterprise Ecosystems; Sustainable Development; Judgmental Sampling; Partnerships

1. Introduction

Impact investing and social entrepreneurship have been gaining momentum in Southeast Asia even prior to the COVID-19 crisis. Impact investing refers to investments made with the specific objective of generating a measurable social or environmental impact alongside financial returns (Global Impact Investing Network, 2022). The impact investing market in Southeast Asia was estimated to be $25.2 billion in 2020 and has been forecasted to grow at a compound annual growth rate of 22% from 2021 to 2028 (ResearchAndMarkets.com, 2022). This growth trajectory has been attributed to factors including rapid economic development in ASEAN countries, increasing quantum of capital looking to make a social difference, policy incentives for impact businesses as well as technological advances enabling innovation (Mudaliar & Bass, 2021).

The region, similarly has also witnessed a burgeoning social entrepreneurship and social enterprise ecosystem addressing key sustainable development challenges. The British Council (2017) has mapped over 170 early-stage enterprises working on social and environmental issues across Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Key impact areas being addressed include access to energy, sanitation and clean water, healthcare, education, digital inclusion and sustainable agriculture among others. The COVID-19 pandemic has significantly disrupted economic activity and social structures across the region while accentuating vulnerabilities

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among marginalized communities. An assessment by the Asian Development Bank (ADB) indicates that the pandemic pushed around 85 million people in developing Asia into extreme poverty in 2021 while setting back efforts to reduce poverty and inequality by several years (ADB, 2022). This massive impact creates a pressing need for capital and innovations specifically catered to drive an inclusive, resilient and sustainable recovery.

This study aims to study the knock-on effects of the pandemic on impact investing and social entrepreneurship ecosystems that hold particular relevance for sustainable development across Southeast Asia. It seeks to capture perspectives from both investors and social enterprise founders to develop a well-rounded assessment of key trends, opportunities and persistent challenges that must be addressed to channel recovery efforts in line with the ASEAN sustainable development goals. The overarching argument is that the systemic disruptions caused by COVID-19 have opened new avenues for impact capital and entrepreneurial solutions to play a pivotal role in responding to widening social fissures across ASEAN member states. Data collected through qualitative interviews will map the trajectory being charted in the post-pandemic landscape.

1.1. Background

Over the last decade, Southeast Asian economies have recorded impressive growth rates, yet the income inequality has simultaneously widened in countries like Thailand, Malaysia and Singapore while it remains stubbornly high in others like Philippines and Indonesia (Sumner et al., 2020). The unstable economic growth before COVID-19 also meant that gains have not reached marginalized communities at the base of income pyramid. The COVID-19 pandemic has exacerbated these pre-existing vulnerabilities. Job losses, income decline, rising prices of essential commodities, lack of social security measures and disruptions in accessing healthcare and education are estimated to have pushed around 85 million people into extreme poverty across developing Asia (ADB, 2022). These impacts have also exposed the limitations of traditional policy measures and linear development approaches in tackling complex, intersectional social challenges.

Impact investing and social entrepreneurship paradigms have hence garnered increasing traction pre-pandemic as well as in response to COVID-induced disruptions as means of driving inclusive growth. For instance, impact capital invested rose from $444 million to $1.5 billion in just two years leading up to 2020 in Southeast Asia (Mudaliar & Dithrich, 2020). The momentum is only expected to accelerate but the trajectory warrants systematic assessment.

1.2. Aim and Objectives

This study aims to undertake an exploratory study analyzing how the ongoing recovery phase post-COVID is shaping impact investment and social entrepreneurship ecosystems to foster resilient and inclusive development in Southeast Asia aligned with Sustainable Development Goals.

1.2.1. The objectives are to

- Map changing priorities and positioning among impact investors in response to pandemic aftermath across ASEAN economies
- Understand innovations in social enterprise models to tackle challenges exacerbated by COVID-19
- Identify persistent and emerging barriers that must be mitigated for the ecosystem to catalyze sustainable development at scale
- Develop policy and regulatory recommendations that can nurture a thriving ecosystem of risk capital and market-based solutions to serve vulnerable communities

1.3. Problem Statement

While pre-pandemic discourse on impact investing and social entrepreneurship waxed optimistic about the potential to channel more capital towards ASEAN country development needs through market-based approaches, there is limited research on how this narrative has been impacted by COVID-induced economic and social disruptions across Southeast Asia. Extant studies also rarely capture both investor and social entrepreneur perspectives within a single inquiry. This study aims to address that gap by answering the question - how can we develop supportive pathways in the post-pandemic landscape in Southeast Asia such that impact capital can stimulate and scale innovative entrepreneurial solutions to empower communities at risk of continued marginalization in alignment with the Sustainable Development Goals framework?

1.4. Hypotheses

The overarching hypothesis is that the COVID-19 crisis has opened avenues for greater capital flows and innovative business models targeting deprived communities in Southeast Asia but systemic barriers linked to measurement, human capital limitations and policy constraints require redressal through collaborative action among actors for this promise to materialize sustainably.

1.5. Rationale and Significance

An analytical assessment of trends in impact investing and social entrepreneurship responding to the damage inflicted by COVID-induced disruptions as well as pre-existing vulnerabilities can serve multiple stakeholders - investors can identify emerging areas of need and opportunity for their capital, policy makers can take cues on appropriate regulatory changes required, capacity builders and enablers can prepare the pipeline of investible opportunities through incubation and acceleration support. Ultimately the study aims to build common knowledge regarding levers that can empower social innovators to build back better, boost economic inclusion and resilience among marginalized communities and accelerate progress on Sustainable Development Goals in Southeast Asia.

2. Literature Review

2.1. Introduction

This chapter reviews existing literature relevant to examining the ongoing evolution of impact investing and social entrepreneurship in driving sustainable development across Southeast Asia in the post-COVID recovery phase. It establishes key definitions and conceptual boundaries associated with the problem domain besides synthesizing theoretical frameworks that underpin the inquiry. The chapter also maps the pre-pandemic ecosystem landscape as well as summarizes known impacts induced by the COVID-19 crisis as foundations before identifying gaps in current discourse that this dissertation aims to address. The literature review thereby sets the background context for the primary data collection and analysis to be presented in subsequent chapters.

2.2. Conceptualization of Key Terminologies

2.2.1. Impact Investing

Impact investing refers to the deployment of capital into companies, organizations or funds with the specific intent of catalyzing measurable positive socio-environmental impact alongside financial returns (Global Impact Investing Network, 2019). Impact investors supporting such businesses can range from philanthropic foundations, financial institutions, private equity funds and family offices to individual investors. All share long term intent to drive social or environmental change while targeting financial returns calibrated to risk tolerance with some targeting below market rate returns while others on par with market benchmarks. The spectrum is broad but investors are united by the commitment to not compromise on measurable, transparent assessment of impact generated.

Impact investment, as defined in this study, pertains to an investment strategy aimed at producing positive societal impacts, encompassing both social and environmental benefits, while concurrently generating financial returns (GIIN 2020; International Finance Corporation 2020). Investors engage in impact investments with entities such as companies, organizations, and funds, which offer products and services to end-users, with the overarching goal of fostering positive societal change. It is crucial to note that impact investment is not an entirely new or standalone asset class; rather, it is implemented across diverse asset classes. Detailed explanations of the investment vehicles utilized in practicing impact investing will be provided later in this chapter.

Visualized within the spectrum of capital (as shown in the figure below), impact investing occupies a distinct position. On one extreme, there exists a "traditional" segment characterized by financial-oriented businesses that lack consideration for environmental, social, and governance (ESG) factors. The continuum progresses from left to right, with segments classified based on their varying levels of consideration for societal impact. Impact investing is strategically positioned within this spectrum, emphasizing its commitment to generating positive social outcomes alongside financial returns.

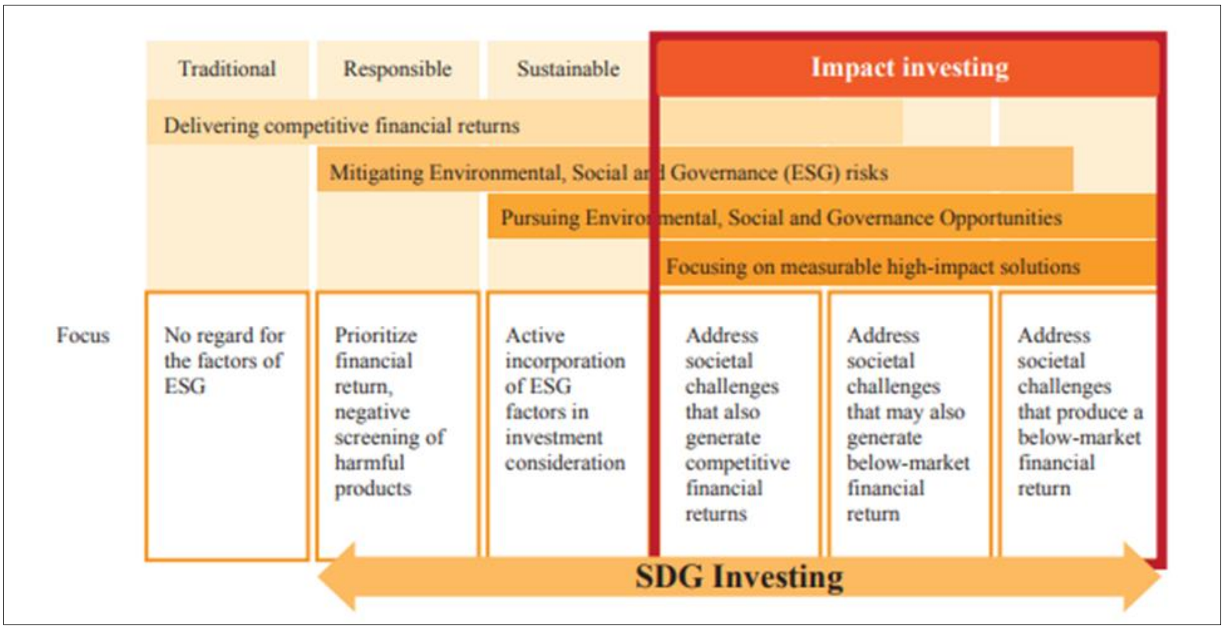

Figure 1 Impact Investing

2.2.2. Social Entrepreneurship

Social entrepreneurship involves launching and scaling innovative, market-based ideas to catalyze social change by addressing persistent development challenges linked to inequality, lack of basic needs access, environmental sustainability, healthcare gaps, education divides and economic empowerment especially for marginalized communities (Phills et al., 2008). The British Council (2017) frames social enterprises as mission-driven revenue-generating businesses that emphasize "primacy on social and/or environmental impact" with majority profits reinvested to further the mission rather than maximizing financial returns for shareholders.

Unlike conventional entrepreneurship which predominantly focuses on capturing economic value by identifying opportunities for profit maximization, social entrepreneurship prioritizes creating positive impact first and foremost. The core mission is centered on advancing human dignity, inclusion, welfare and sustainable development. However, social entrepreneurs also emphasize building viable models that do not depend wholly on charitable donations or grants. By leveraging market-based strategies to serve disadvantaged communities, they ensure solutions are economically empowering in the long-term. This could involve cross-subsidization approaches, anchor partnerships with governments or MNCs, and fee-for-service models.

2.2.3. Sustainable Development Goals

Sustainable Development Goals adopted by United Nations member states, including all ten ASEAN economies, outline a 2030 vision for advancing globally inclusive, sustainable prosperity while emphasizing solidarity and outcomes that ensure transgenerational as well as intra-generational equity (United Nations Development Programme, 2015). The 17 goals encompass specific targets across economic, social and environmental parameters - prominent examples directly relevant to this dissertation include no poverty, zero hunger, good health and well-being, quality education, gender equality, decent work and economic growth, reduced inequalities and partnerships at multiple levels to achieve these ambitious objectives.

2.3. Theoretical Frameworks

2.3.1. Sustainable Livelihood Approach

Originating from international economic development disciplines, sustainable livelihood approaches advance localized, community-based analytical frameworks recognizing existing capabilities as well as systemic vulnerabilities among economically deprived populations, so that targeted policy and programmatic interventions can enhance resilience, self-reliance and access to basic needs fulfilment options on an ongoing basis (Krantz, 2001). This lens aligns closely with the overarching intent of this dissertation to study how impact capital investors and social entrepreneur innovators catering to marginalized communities across Southeast Asia in the post-COVID recovery phase are adapting their priorities, products and services to not only offer crisis-response alleviation but also empower sustainable pathways for fulfilling fundamental requirements around income security, food availability, healthcare access etc in the face of fragility induced by the pandemic over the last three years.

2.3.2. Inclusive Business Models

Inclusive business models specifically adapt products, services, sourcing policies and wider value chain practices of revenue-generating enterprises to intentionally incorporate and benefit lower-income customers, producers and service delivery participants who are often structurally excluded from accessing such solutions because traditional profit-centric business ecosystems consider such populations too financially constrained or commercially unviable to cater to (UNDP, 2008). Such inclusive approaches harness technical expertise and entrepreneurial orientation of private sector organizations to increase availability as well as affordability of essential goods like healthcare provisions, agricultural inputs, clean energy technologies and skill development opportunities for deprived sections of society. The multifaceted straddling of social impact objectives alongside commercial sustainability resonates strongly with the hybrid motivations of many emerging social enterprises as well as the layered return expectations of impact investors funding such ventures across Southeast Asia and wider emerging economies.

2.4. Impact Investing and Social Entrepreneurship Ecosystem in Southeast Asia

2.4.1. Pre-Pandemic Landscape

In keeping with global patterns, Southeast Asia was witnessing an acceleration in impact investing momentum during the decade leading up to the COVID-19 pandemic outbreak. There was growing diversity of motivated capital providers ranging from high net worth individuals, family offices to institutional players like financial corporations, philanthropic foundations and international development agencies while the volume of funds deployed annually also kept rising (Mudaliar & Dithrich, 2020). In tandem, the pipeline of investment ready social enterprises was also maturing across countries like Indonesia, Vietnam, Singapore, Thailand, Philippines and Malaysia - working to expand financial access, boost agriculture productivity, deliver renewable energy affordability and income predictability to lower income households etc. However, research also highlighted that average impact investment deal sizes remained much smaller than developed country averages, the concentration still remained skewered towards later stage funding requirements while impact measurement capacities and perceived gaps in investee business readiness also posed persistent barriers for investors targeting double/triple line returns across Southeast Asian countries (British Council, 2017).

2.4.2. COVID-19 Impacts on Development Indicators in Southeast Asia

Starting in early 2020, the widespread onset of the COVID-19 pandemic and associated public health emergency containment measures induced economic contractions and society-wide disruptions that erased years of poverty reduction and inequality bridging efforts across developing countries globally within a matter of months alone. In Southeast Asia too, the multifaceted impacts increased food insecurity prevalence, reduced household incomes and purchasing power, worsened interruptions in access to essential healthcare and education services, exacerbated gaps in digital connectivity, besides triggering job losses or deep income cuts especially for informal workers without social security protections thereby exponentially escalating poverty levels and inequality across all ASEAN countries threatening achievement timelines for Sustainable Development Goals 2030 benchmarks (Mahler et al., 2021). Review of research indicates that vulnerable communities including children from lower-income households, women-led families, migrant workers and minorities shouldered the deepest burden of the various crises triggered by the ongoing pandemic (Kharas & Dooley, 2021).

2.5. Gaps in Literature

While individual facets around impact capital flows, profiles of social entrepreneurship landscapes and analyses quantifying socioeconomic damage inflicted by the COVID-19 pandemic have been increasingly studied over the last three years across ASEAN countries; updated empirical research directly examining the intersection of these phenomena remains lacking. Specifically, there is limited contemporary published scholarship capturing perspectives from both impact investors and social enterprise leaders navigating the post-pandemic recovery phase to collaboratively develop solutions tailored to ameliorating COVID-induced adversities faced by already vulnerable communities across Southeast Asia. Assessment of innovations in financing structures, business models and underlying socio-environmental impact generation approaches sort to build crisis-resilience and sustainability using frameworks suited for marginalized sections also warrants timely investigation. This systemic gap in linking the strategy shifts among impact investing stakeholders and on-ground social entrepreneurs looking to sustainably empower communities at highest risk of continued marginalization across ASEAN deeply motivates the research agenda pursued in this dissertation.

2.6. Conclusion

In conclusion, this chapter has established foundational conceptual clarity about key terms, embedded potentially relevant theories, summarized the pre-pandemic ecosystem landscape besides capturing the multiplayer damage arising from COVID-induced disruptions across Southeast Asia that underscore the urgent problems investigated through this dissertation research. The next chapter will detail the qualitative methodology formulated to collect updated primary data aiming to address identified gaps in contemporary scholarship at the intersection of evolving impact investment priorities and social innovation models navigating the post-pandemic recovery trajectories in Southeast Asia.

3. Material and methods

3.1. Introduction

This chapter presents a comprehensive account of the research methodology formulated to achieve the analytical objectives of this dissertation on impact investing and social entrepreneurship ecosystems evolving to support sustainable development in Southeast Asia in the post-COVID era. It starts by delineating the research philosophy aligned with the interpretative, exploratory intentions besides rationalizing the inductive qualitative study design adopted. This is followed by elaborating the primary data collection process involving semi-structured interviews with impact investors and social entrepreneurs in the region and analysis techniques leveraged to categorize emergent themes around key opportunities and challenges. The chapter also puts forth quality control measures adopted comprising triangulation, audit trails and member checking while acknowledging limitations linked to sample size and researcher positionality. Ethical considerations concerning participant consent, anonymity and data protection protocols conclude the chapter.

3.2. Research Philosophy

This dissertation is embedded within an interpretivist paradigm that prioritizes subjective meanings rather than definitive explanations and recognizes multiple diverse realities shaped by varied experiences among individuals and groups situated in particular belief systems, cultures and operational contexts (Scotland, 2012). This aligns logically with the principal focus on capturing evolutionary trends in strategic priorities as well as on-ground models based on the lived experiences of key ecosystem stakeholders navigating the unique disruption wrought by **COVID-19 across Southeast Asia**

Furthermore, the open-ended, exploratory nature of research questions renders the inquiry inductive in essence, intending to gather expansive textured observations before analyzing for unanticipated themes rather than deductively assessing preconceived hypotheses. This enables deriving a well-rounded, contextualized perspective on opportunities and challenges confronting impact investors and social entrepreneurs catering to marginalized populations to make collaborative progress towards Sustainable Development Goals against the backdrop of volatile transformation trajectories induced since early 2020.

3.3. Research Design

3.3.1. Qualitative Methodology

The qualitative methodology selected as most fitting for this dissertation study allows collecting in-depth insights on the "how" and "what" aspects associated with the problem domain without imposing quantitative metrics or statistical models grounded in positivist conventions of social science research (Yin 2015). Descriptive detailed inferences are aimed at even if sample sizes expected remain small as is common in qualitative studies focused on elucidating complex processes, patterns or phenomena within bounded contextual settings.

3.3.2. Data Collection

Primary data collection involves recorded interviews with impact investors active across one or more countries in Southeast Asia and founders leading social enterprises operational in the region. Judgmental sampling techniques are utilized to ensure diversity of perspectives across parameters like geographic investment destinations, sectoral focus areas, firm maturity stages, return expectations and impact measurement capabilities. Similarly, enterprise leaders are chosen to ensure variation across legal entities, operational models, product and service categories, target beneficiary profiles etc. The cohort size will range between 15-20 participants, balancing depth of narratives during long-form discussion against analyzing trends.

Interview duration is kept flexible ranging from 30 to 60 minutes aligned to participant availability. An interview protocol is designed to provide indicative guiding questions while allowing tangential conversations to develop freely based on prompts shared in advance regarding the broad focus on post-COVID strategic changes and outlook. Discussions are facilitated via videoconference and recorded after obtaining consent, besides taking supplemental notes. Verbatim transcripts are manually coded to categorize emergent themes addressed in the Findings chapter using NVivo or equivalent software tools.

3.4. Data Analysis Procedures

Interview recordings are manually transcribed verbatim before importing into NVivo for collaborative coding by two researchers. First cycle coding techniques like holistic, values and evaluation coding are leveraged to categorize broad themes (Saldaña, 2021). This is followed by second cycle focused coding to synthesize key categories. Coded extracts are then discussed to confirm intercoder consensus before conducting thematic analysis as described in the next subsection.

The iterative analysis employs both theory-driven codes emanating from literature as well as empirical, data-driven codes emerging de novo, in order to systematically assess for confirming and countering perspectives across participants. Descriptive inferences are drawn to discuss level of convergence or divergence across identified themes highlighting multi-vocal nature of constructed realities that resist reduction into unanimous perspectives. Care is taken to preserve the thick descriptive integrity during analysis rather than risk thin extraction losing contextual essences.

3.5. Quality Control

Authenticity of data interpretation and inferences drawn are maximized via member-checking with willing participants besides deliberate triangulation of findings across impact investor and social entrepreneur leader sources to minimize insular distortions. Detailed audit trail maintenance also promotes analytic transparency - documenting key decisions regarding coding hierarchies, theme distillations and evaluative or reflective memos emerging during the analysis phase. Furthermore, evaluation criteria intrinsic to qualitative research designs are prioritized judging merit and rigor, emphasizing trustworthiness, transferability using thick descriptive accounts and confirmability through inquiry audit trails over traditionally quantitative criteria like reliability, objectivity and generalizability which remain incompatible.

3.6. Ethical Considerations

Stringent measures are instituted to maintain participant privacy, confidentiality and informed voluntariness. All personal identifying information is anonymized during transcription and data reporting. Secure cloud-based storage as well as encryption protocols are deployed to protect sensitive files adhering to IRB stipulated GDPR-aligned data governance standards. Informed consent paperwork explicitly states volunteering options and rights.

3.7. Limitations

As with most qualitative studies, findings may demonstrate limited generalizability considering non-random sampling and small cohort size - restricted from making statistical extrapolations for the entire ecosystem spanning thousands of market participants. Individual experiential limitations persist despite best attempts to maximize diversity. Additionally, researcher positionality and interpretation choices influence analysis, although triangulation and audit trails help minimize bias.

3.8. Conclusion

In summary, a qualitative methodology based on semi-structured interviews with impact investing stakeholders in Southeast Asia has been proposed to fulfill the analytical objectives of this exploratory dissertation seeking updated perspectives on ecosystem evolution trajectories responding to the COVID-19 disruption. The next chapter presents the synthesized research findings.

4. Results

4.1. Introduction

This chapter presents a comprehensive analysis of primary data collected through in-depth interviews with 15 impact investors and social entrepreneurs catering to Southeast Asian countries to chart key strategic shifts, opportunities and persistent challenges confronting the ecosystem since the COVID-19 disruption. It summarizes participant profiles first, followed by mapping post-pandemic realignments in priorities as well as innovations among both investor and enterprise cohorts. Subsequently, promising developments and continued constraints are elucidated besides discussing implications for financial, capacity building and regulatory support necessary to nurture the ecosystem suitably to drive inclusive, resilient post-crisis recovery pathways aligned to the Sustainable Development Goals (SDG).

4.2. Participant Profiles

The sample of 15 participants covers diversity across parameters like geographic focus areas ranging from singular market engagements to entire ASEAN exposure besides variation in domain specialization - from agriculture to clean energy to financial inclusion.

4.2.1. Impact Investors

The majority of investors interviewed manage small-to-medium sized funds focusing on early growth stage investing across countries like Vietnam, Malaysia, Philippines and Indonesia with primary interest in healthcare, education, livelihoods and Agri-tech enterprises. Return expectations varied from near market-rate to closer to market benchmarks for risk-adjusted emerging economy PE/VC investing. Most confirmed targeting environmental or social impact without intentionally compromising financial returns. Measurement processes also showed maturity alignment. Geographic priorities shifted since COVID onset.

4.2.2. Social Entrepreneurs

Social entrepreneurs also reflected diversity from a microenterprise serving indigenous artisan communities in Thailand to technology-driven business-to-business entities enhancing value chain inclusiveness for regional agribusinesses. While target beneficiary brackets differ, all confirm realigning priorities since 2020 to respond to crises like income uncertainty and supply chain disruptions leveraging partnerships as well as innovations like digitization to sustain impact focus.

4.3. Post-COVID Strategic Shifts

4.3.1. Impact Investors

Analysis reveals the pandemic has influenced strategic orientations among all participating Southeast Asia-focused impact funds. Education, livelihoods, microfinance and agritech emerge as new priority sectors while healthcare and clean energy remain resilient. Indonesia, Vietnam are growth targets while funds have withdrawn from Philippines, Thailand. Blended finance approaches leveraging catalytic philanthropic capital to de-risk emerging areas and support test-of-concept pilots are rising as COVID has increased perceived uncertainty for commercial capital in new domains. Technology is now a core thesis driver across all respondents to accelerate cost-effective scaling.

4.3.2. Social Entrepreneurs

Social enterprises unanimously highlight crisis-response diversification like supplementing core offerings with essential services to sustain cash flows and shore working capital. Entrepreneurs in healthcare pivoted to telemedicine while education entities expanded to e-learning platforms. Agriventures invested in digitized supply chain tracking to stabilize sourcing. Several ventures confirm acceleration in onboarding rural kirana partners as banking correspondents to ease financial access points leveraging universal agent banking policy reforms implemented during pandemic support roll-outs. Subscription models also emerged across products catering to low-income segments to stabilize revenues.

4.4. Key Opportunities

4.4.1. Impact Investing

The pandemic aftermath has spotlighted impact approaches to mitigate adverse incorporation and drive inclusive participation with investors confirming deal pipelines expanding in line with SDG aligned opportunities. Blended finance and experimenting with innovative finance structures focused on results-based programs, micro-savings tied education financing, healthcare pay-for-performance etc. are on the rise given policymaker appetite for creative formats to alleviate COVID duress and effect sustainable empowerment.

4.4.2. Social Entrepreneurship

Robust technology adoption has improved cost structures, aligned user preferences for contactless delivery and enabled scale. Partnerships with grassroots civil society as well as private sector anchors have enhanced last-mile distribution traction. Additionally, active government collaborations across healthcare, agritech and digital skill building catalyzed through special policy sandbox support during pandemic prioritization now offer template structures for market-based solutions to coordinate with public programs in impactful ways.

4.5. Persistent Challenges

4.5.1. Ecosystem Constraints

Majority of participating investors admit to measurement capacities remaining limited. Funds are testing lean indicator frameworks but comprehensive evaluations continue lacking – a barrier for credibility. Moreover, most ASEAN countries still lack regulatory clarity and incentives for foreign impact capital flows as well as outcome-based public procurement directives that can mainstream private solutions at scale. Such supportive infrastructure is essential for the viability of innovative models that align financial sustainability with depth of social impact.

4.5.2. Operational Barriers

Interviewed social entrepreneurs reiterated ongoing constraints in hiring suitable talent willing to work in remote geographies on market-first solutions for vulnerable communities. Furthermore, the lack of risk tolerant follow-on funding for innovators after grant-based seed capital remains a barrier, one exacerbated since COVID. Local investors with higher risk appetite remain scarce forcing dependence on international capital. But information barriers inhibit foreign investor comfort. Bridging this gap can stimulate long term capital mining impact opportunities in the region.

4.6. Conclusion

In conclusion, COVID-19 has undoubtedly accelerated realignments in impact priorities across Southeast Asia, ushered business model innovations among enterprises and focused policy attention on social vulnerabilities. But much remains to be fortified through patient capital willing to chip away at unfamiliar segments, purpose-driven partnerships connecting ecosystems and consistent supportive infrastructure for sustainability. The final chapter discusses recommendations in this direction.

4.7. Summary of Key Findings

The qualitative interview-based study generated multiple insights on post-COVID strategic shifts among impact investors and social entrepreneurs in Southeast Asia regarding realigning priorities, leveraging opportunities and overcoming persistent operational barriers on the path to building an ecosystem poised to drive resilient, inclusive crisis recovery and progression towards Sustainable Development Goals (SDG). Key trends identified entail rising interest in education, livelihoods, agritech and healthcare enterprises among investors while entrepreneurs confirm pivot to digital delivery, innovative cross-sector partnerships, and public policy collaborations. However, limitations around talent gaps, follow-on funding options and supportive regulatory infrastructure were also highlighted.

5. Discussion

5.1. Impact Investing in the ASEAN

Accurate documentation of the comprehensive scale of impact investments on a global scale is challenging due to varying figures reported by different sources. While Chapter 2 suggested a $120 billion valuation of impact investments from SDGI, disparities arise from differences in survey samples, sizes, and the existing fragmented understanding, definition, and spectrum of impact investment (International Finance Corporation 2019). The Global Impact Investing Network (GIIN), known for its widely referenced Annual Impact Investor Survey, reports a global market volume of $715 billion based on a sample size of 294 (GIIN 2020). The growth trajectory of the impact investing market is described as "growing steadily" by GIIN (2020, iii). Notably, despite the COVID-19 pandemic, none of the respondents anticipated a decline in impact investment in June 2020 when the report was published. Out of the $715 billion, 45% ($321 billion) is confirmed to be allocated by investors dedicating over 75% of their Assets Under Management (AUM) to emerging markets, including Sub-Saharan Africa, Latin America and the Caribbean, South Asia, and Southeast Asia (GIIN 2020).

Although only 1.7% of the 294 surveyed respondents are currently investing in Southeast Asia, this region is identified as one of the fastest-growing areas in impact investment. A noteworthy 52% of respondents express intentions to increase their allocations to Southeast Asia over the next five years (GIIN 2020, xvi). It's important to highlight that impact investment doesn't constitute an independent asset class; rather, impact investors engage across diverse asset classes. Globally, private debt stands out as the primary allocation in terms of Assets Under Management (AUM), while private equity is the most prevalent asset class in terms of the percentage of respondents (GIIN 2020, p. 36). About 51%

of total respondents are affiliated with for-profit asset managers, followed by not-for-profit asset managers, foundations, and Development Finance Institutions (DFIs) (GIIN 2020, p. 36). A majority of respondents (61%) exclusively make impact investments, while 9% engage in both impact and conventional investments.

On a global scale, impact investment spans various sectors, with the energy sector leading in 2020, followed by financial services (excluding microfinance), forestry, food, and agriculture. In terms of the percentage of respondents, food and agriculture demonstrate the highest momentum, followed by healthcare, energy, education, and other sectors (GIIN 2020, p. 33). Balancing financial return and societal impact remains a critical factor influencing investment decisions. Despite the maturity of impact investment, challenges persist in achieving investment outcomes that deliver both financial and social returns.

Illustrated in the figure 1 below is the notable surge in impact investment activity within the ASEAN region, spanning a previous decade and a recent three-year timeframe. The practice of impact investment in ASEAN is evidently on the rise, emerging as a noteworthy and, in certain countries, a more established approach. Additionally, figure 2 provides a visual representation of the volume of impact investments specifically within the ASEAN context.

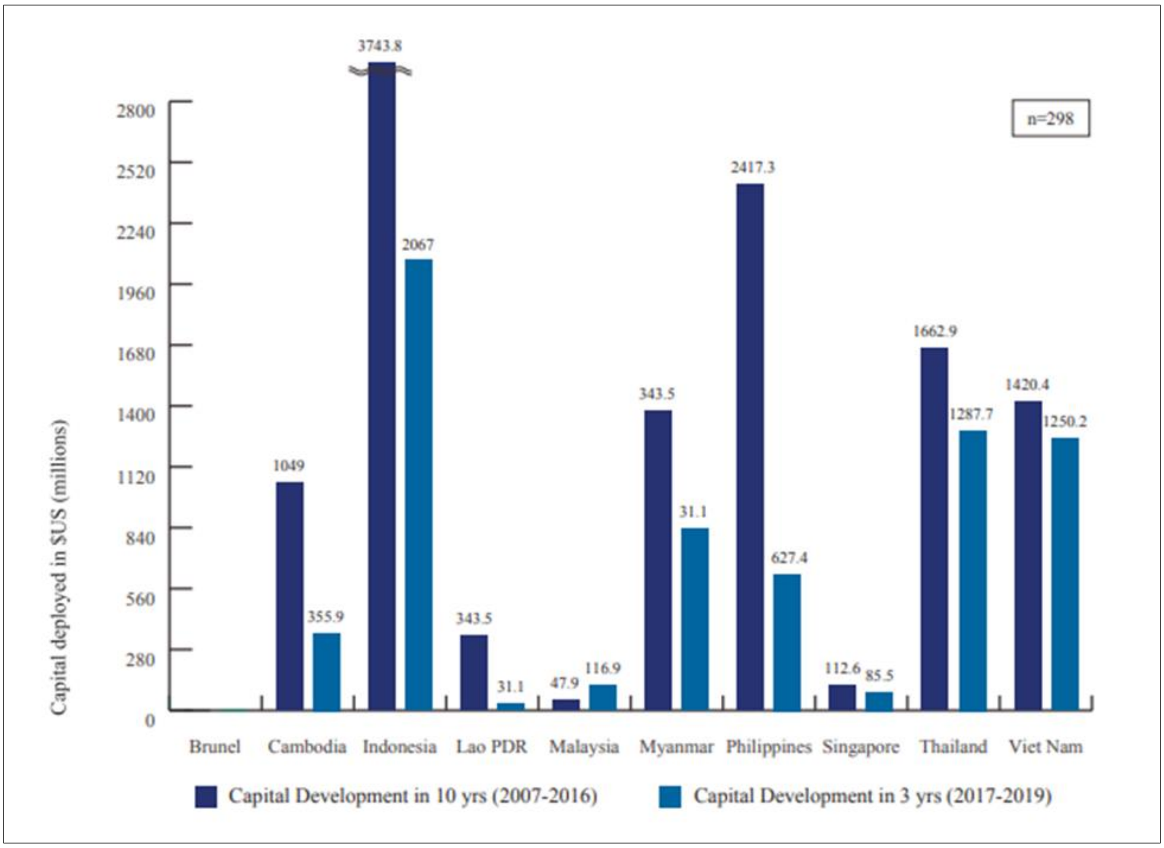

Figure 2 Impact investment capital deployed in ASEAN, 2007 – 2016 and 2017 – 2019

In the context of ASEAN, Indonesia attracts the highest amount of investment, surpassing $2 billion from both Private Impact Investors (PIIs) and Development Finance Institutions (DFIs). Thailand and Vietnam follow as the second and third recipients of total investment capital, yet there exists an imbalance where DFIs constitute over 99% of the overall inward capital. Notably, Thailand receives the least PIIs, while Lao PDR receives the least DFI capital. Singapore stands out as the only country receiving more PIIs than DFI capital inflow, with Malaysia, though relatively overshadowed by DFIs, also experiencing a notable PII presence.

Examining the number of deals provides insights into the level of interest in investing and financing within each country. Although DFIs emerge as significant players in terms of capital deployment, the quantity of deals indicates that private impact investments hold greater prominence. Myanmar leads in the number of DFI deals, followed by Indonesia and Vietnam. In contrast, when considering the number of PII deals, Indonesia takes the lead in ASEAN, trailed by the Philippines, Singapore, and Myanmar. Notably, Lao PDR records only one PII deal, but the capital deployed from this single deal amounts to $10 million, nearly doubling that of Thailand from three PII deals. Encouragingly, the total number of deals in PIIs surpasses DFIs, despite the lower overall capital investment. This trend suggests a growing interest and participation by private investors in the region.

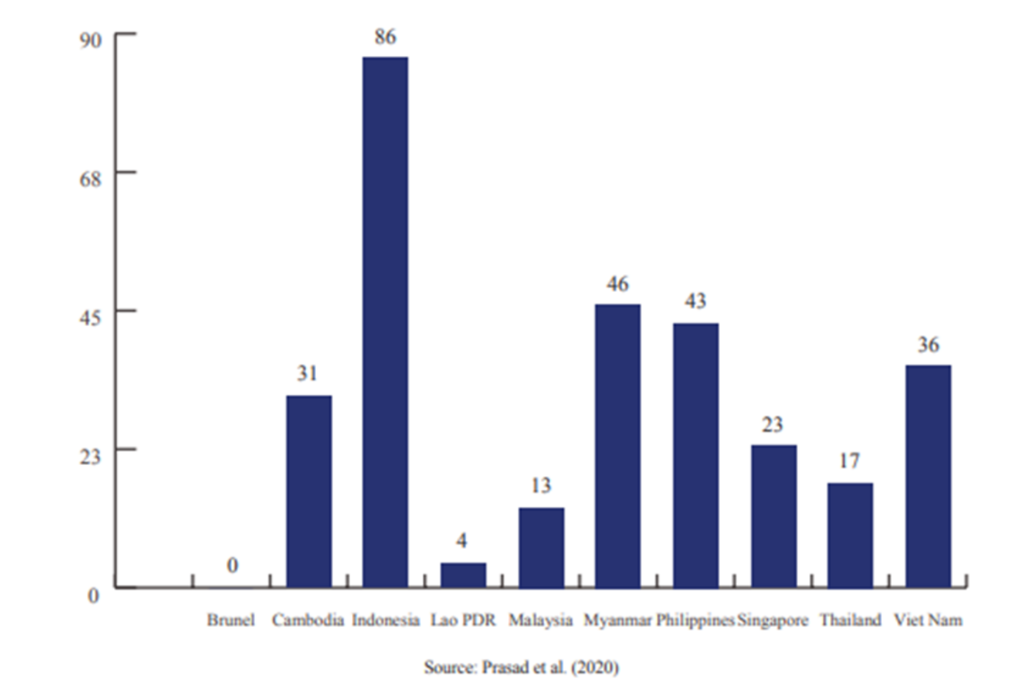

Figure 3 Number of impact investment deals in ASEAN, 2017 – 2019

Accurate statistical data illustrating the comprehensive volume of impact investments in the global market is limited. Despite the earlier indication in Chapter 2 that $120 billion constitutes impact investment from SDGI, there is a disparity in figures reported by various sources regarding the scale of the impact investing market. This discrepancy is attributed to variations in survey samples, size, and, notably, the current fragmented understanding, definition, and spectrum of impact investment (International Finance Corporation 2019).

Table 1 Breakdown of impact investment activities in capital and deals, 2017 – 2019

Country	Private Impact Investors (n=159)		Development Finance Institutions (n=141)		Total amount of Investment capital ($ million)	Total number of deals
	Investment Capital ($ million)	Number of deals	Investment Capital ($ million)	Number of deals		
Cambodia	$54.9	11	$301.1	20	$355.9	31
Indonesia	$138.5	61	$1,928.9	25	$2,067.4	86
Lao PDR	$10	1	$21.1	3	$31.1	4
Malaysia	$45.5	10	$71.2	3	$116.7	13
Myanmar	$18.6	15	$816.3	31	$834.9	46
Philippines	$105.4	28	$522.3	16	$627.4	43
Singapore	$45.1	19	$40.4	4	$85.5	23
Thailand	$5.2	3	$1,282.5	14	$1,287.7	17
Viet Nam	$7.7	11	$1,242.5	25	$1,250.2	36
Total	$430.9	159	$6,226.3	141	$6,657.2	298

However, the Global Impact Investing Network (GIIN), whose widely referenced Annual Impact Investor Survey is frequently cited in both practitioner and scholarly reports, reports a global impact investment market volume of $715 billion based on a sample size of 294 (GIIN 2020). The growth trajectory of the impact investing market is evident as it is described as "growing steadily" according to the GIIN (2020, iii). Notably, in June 2020, when the report was published, none of the respondents anticipated a decline in impact investment, even in the midst of the COVID-19 pandemic.

Out of a total of $715 billion, approximately 45%, equivalent to $321 billion, has been confirmed to be allocated by investors who allocate over 75% of their Assets Under Management (AUM) to emerging markets, including Sub-Saharan Africa, Latin America and the Caribbean, South Asia, and Southeast Asia (GIIN 2020). Despite only 1.7% of the 294 surveyed respondents currently investing in Southeast Asia, this region is identified as one of the fastest-growing areas in impact investment. A notable 52% of respondents express intentions to increase their allocations to Southeast Asia over the next five years (GIIN 2020, xvi).

It is crucial to note that impact investment does not represent an independent asset class; rather, impact investors engage in diverse asset classes. Globally, private debt stands out as the primary allocation in terms of Assets Under Management (AUM), while private equity is the most prevalent asset class in terms of the percentage of respondents (GIIN 2020, p. 36). Approximately 51% of the total respondents are affiliated with for-profit asset managers (including fund/investment managers), followed by not-for-profit asset managers (including fund/investment managers), foundations, and Development Finance Institutions (DFIs) (GIIN 2020, p. 36).

Significantly, a majority of respondents (61%) exclusively make impact investments, while 9% engage in both impact and conventional investments. On a global scale, impact investment spans various sectors. In 2020, the energy sector garnered the most significant share of impact investment, followed by financial services (excluding microfinance), forestry, food, and agriculture. When considering the percentage of respondents, food and agriculture demonstrate the highest momentum, trailed by healthcare, energy, education, and other sectors (GIIN 2020, p. 33). An essential factor influencing investment decisions is the balance between the level of financial return and societal impact. Although impact investment is no longer in its infancy, challenges persist in generating investment outcomes that deliver both financial and social returns.

5.2. Revisiting Conceptual Framing

The findings validating renewed investor attention on market-based solutions enhancing skills, income security and food availability for vulnerable communities reaffirms relevance of applying sustainable livelihood analytical lens viewing these as pathways for self-reliance and resilience building. Furthermore, confirmation of trends like diversifying into ancillary services, leveraging alternative distribution channels and utilizing technology for efficiency resonate with fundamentals of inclusive business models that emphasize affordable access.

5.3. Situating Findings in Literature

The research enriching understanding of post-COVID trajectory sits in contrast with pre-2020 landscapes mapped in seminal British Council, GIIN and AVPN research. While priorities like financial access, renewable energy, waste management persist, relative investor attention has expanded to emerging areas like sustainable agriculture, adaptive education, on-demand livelihood platforms responding to economic adversity and instability exacerbated since the pandemic. The study also contributes much needed updated perspective connecting investor intent with implementation experiences of entrepreneurs often missing from aggregate deal data reports.

5.4. Implications for Ecosystem Stakeholders

5.4.1. Impact Investors

The research signals continued imperative among investors to configure custom combinations of philanthropic and commercial capital to de-risk pioneering projects across nascent areas given risk perception among purely commercial players remains high in new impact frontiers. Findings also underscore need to harness technology for remote monitoring and measurement to lower costs.

5.4.2. Social Entrepreneurs

Entrepreneurs must expand peer learning networks to disseminate effective partnership constructs with governments, anchor corporations that succeeded during pandemic policy response collaborations besides doubling down on alternative distribution infrastructure leveraging digital platforms for remoteness.

5.4.3. Ecosystem Enablers

Multilaterals and DFIs should nurture blended finance facilities, provide outcome-based guarantees and explore diaspora capital leverage to mitigate risk perceptions among commercial players. Targeted technical assistance pairing global expertise with hyperlocal leaders can also enhance model sustainability.

5.5. Recommendations

5.5.1. Impact Investors

Investors must proactively coordinate with incumbents in emerging domains like agritech, edtech and decentralize sustainable livelihoods to map contexts before customizing innovative investment theses balancing viability and impact. Patience for validation alongside portfolio diversification remain vital.

5.5.2. Social Entrepreneurs

Entrepreneurs should continuously evaluate business model resilience, piloting adaptations relentlessly until achieving product-market-delivery fit for crisis-impacted low-income consumers while chasing partnerships with grassroots networks as well as private sector anchors to enhance viability.

5.5.3. Ecosystem Enablers

Government agencies must nurture regulatory sandbox infrastructure, outcome fund structures, enabling priority sector classification and results-based public procurement directives. Development agencies should fund ecosystem coordination institutions.

6. Conclusion

In conclusion, this study synthesized perspectives from diverse stakeholders on opportunities and challenges for nurturing inclusive, resilient recovery pathways in Southeast Asia since the COVID-19 crisis through a qualitative study. Findings reveal strategic realignments towards sectors like agritech, edtech and livelihood innovations aligning with sustainable development. Supportive policy action, catalytic capital and hyperlocal partnerships will now determine pace of progress converting intent to impact. Impact investing serves as a pivotal financial instrument for mobilizing resources to achieve the Sustainable Development Goals (SDGs). Despite the challenges outlined in this paper, the trajectory of impact investing is poised for continued growth, proving indispensable for sustainable development. While the mainstream adoption of impact investing may require time, the shift in the financing paradigm, emphasizing both financial and societal returns, signifies a paradigm shift.

The impact investing landscape in the ASEAN region is noteworthy, with the RCEP trade pact contributing a substantial window of $26.2 trillion, and the collective impact investing market capturing over $6 billion from 2017 to 2019. The expressed interest of Japanese impact investors in increasing their commitments creates an opportune moment to foster ASEAN-Japan investments that can amplify societal impact. Acknowledging the influence of COVID-19 on the impact investing market, particularly in emerging economies, it is imperative to note that Southeast Asia is projected to grow by 4.4% in 2021 and 5.1% in 2022. This highlights ASEAN as a high-potential market for impact investment. This paper underscores the promising potential of ASEAN in financing the SDGs through impactful case studies and market activities. The outlined recommendations, tailored to the ASEAN context, encompass transactional, facilitative, intellectual, and governmental aspects, addressing existing challenges in the ASEAN impact investing ecosystem.

While this paper provides a condensed overview of impact investing activities in ASEAN based on available data, it illuminates the fragmented understanding of the current market and ecosystem. It calls for further research to complement its findings, recognizing the dynamic nature of the impact investing landscape. In this evolving field, marked by perpetual transformation, the common goal of contributing to a better world underscores the need for adaptability and a high tolerance for change and failure within the ecosystem. The ASEAN-Japan Centre extends an invitation to engage in this transformative journey of trailblazing, innovating, and shaping the high-impact investing market in the ASEAN region.

Compliance with ethical standards

Statement of ethical approval

Ethical approval was obtained

Statement of informed consent

Informed consent was obtained from all individual participants included in the study.

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