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A FEASIBILITY STUDY OF SOCIAL INVESTMENT IN MAURITIUS

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Abstract - The purpose of this research work was to investigate into a feasibility study of Social Investment (SI) more specifically, the potential for the emergence of social impact investment in Mauritius. Some intensive literature search was done at the international level in countries having implemented SI to address their societal and environmental needs. A mixed methodology approach was adopted to meet the research objectives. A questionnaire was designed and administered to a sample of potential investees. In an attempt to gauge into the different actors from the supply side, focus group discussions were organized with the participation of potential key players of the Mauritian ecosystem, including representatives of ministries, Public agencies, fund managers, foundations, and commercial banks.

The main findings of this study have brought forth valuable insights which could be useful for gearing SI towards social impact investing in Mauritius. An investigation into the current landscape has led to the adaptation of the Transaction and Commission models for the Mauritian ecosystem and two corresponding funding models were proposed. The survey findings have further established the need for SI instruments from both demand and supply sides. There are sufficient grounds that our SMEs and NGOs have the potential to embrace this mode of financing although structural barriers exist. The current funding mechanism in place tends to be over concentrated on individual and CSR funds for the NGOs with marginal private donations. Government funding remains limited despite the significant budget on social issues. These funding gaps point to the need for alternative funding mechanism. Focus group discussions with potential stakeholders have uncovered the enablers and barriers in setting up the SI ecosystem. The SWOT Analysis conducted has led to the formulation of a number of recommendations such as the setting up of an Interagency Task Force, promotion of SI culture, building a strong intermediation, consolidating SI ecosystem on existing framework and pave the way for social entrepreneurship to embrace SI in Mauritius.

Keywords -- Social investment market, Social impact investing, SI ecosystem,Financial intermediary, impact measurement

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Introduction

Overview

This chapter elaborates on social investment as a feasible subject to be investigated in the Mauritian context. The research aim and objectives are highlighted, together with its significance for Mauritius.

1.1 Background Study

The tremendous economic and social challenges faced by countries across the globe have pushed governments to expand the Social Investment (SI) market with innovative models and approaches with the commitment of addressing environmental, social and governance (ESG) goals (OECD, 2015). SI has evolved from socially responsible investing (SRI), consisting of negative screening to sustainable investing which focuses on generating positive social outcome. The SI market is currently gearing towards impact investments which intentionally target specific societal and/or environmental objectives along with a financial return and measure the achievement of both. The present study focuses on the social impact investment potential in the Mauritian landscape. Internationally, according to industry figures, the impact investment funds have doubled in a span of 5 years, over the period 2008-2014 with an estimated average growth of 20% per year. This growth can be imputed from the launching of the Social Impact Investment Taskforce (SIIT) by the G8, followed by the recently launched Global Social Impact Investment Steering Group (GSG), aiming at galvanising the social investment market through a wider membership beyond G8. In fact, emerging economies like India and Brazil are exploring these SI perspectives. Projections of the market suggest impact investments could total $2 trillion by 2025.

From the international perspective, it can be observed that the UK is widely recognised as the most advanced SI market in the world. The country has created the world's first SI bank, first SI relief and the first-ever social impact bond (SIB). There are a number of effective programmes which have changed the lives of the people who were previously homeless and out of work. Over the years the UK government has been able to stimulate the demand for SI, increase the supply of SI and create an enabling environment to connect demand with supply. According to the Social Impact Investment Taskforce (2014), investment by specialized social and lending intermediaries into charities and social enterprises (SE) revolves around £202 million of funding yearly ,while the **past 5 years, the investment focus has been gearing towards establishing a strong government presence in the building of market infrastructure, and a central role of financial intermediaries (FIs).**

Mauritius as a developing economy is striving to solve its threefold challenge namely economic, environmental and demographic encompassing the Millennium Development goals (MDGs). According to the World Bank (2015), in relative terms, poverty has increased from 8.5% in 2007 to 9.8% in 2012. The gap between the better off and the worse off has desperately increased over time, indicating a widening inequality in the redistribution of wealth. Furthermore, it has been observed that the living standard of the poorest (the bottom 4% of the population) has deteriorated over the past years. The World Bank also identifies imperfections in the labour market, as one of the main root causes of income inequalities and persistently high unemployment rates particularly among the young. As regards sustainability, the World Bank is prompting local authorities to commit more resources to improve resilience against climate hazards. Moreover, the climate changes directly impact on the economic activities of Mauritius overall, bearing also in mind that the island is also very vulnerable to occasional natural disasters, and the increased concerns related to food security.

Furthermore, based on the social indicators by Statistics Mauritius (2015) the declining birth rate (expected to reduce from 9.8 in 2015 to 6.4 horizon

2050), coupled with an increase in dependency ratio from 408.6 in 2015 to 574.0 in 2050 resulting from an ageing population, call for action which we need to undertake at national and local level. Mauritius should consider a 'population policy' to regain a 'suitable' fertility (Suntoo, 2012). It is unfortunately being observed that many young people are entangled in the vicious circle of poverty, inequality and human rights violations that prevent them from unleashing their potential. Moreover, the key consideration of the current state is to reduce the gap between the rich and the poor, promote social justice, economic empowerment and national unity, and protect the elderly and vulnerable ones (Mauritius Government Programme 2015 – 2019), and providing alternative care including foster placement, adoption and placement in suitable institutions for the care of children (Mauritius Ministry of Gender Equality, Child Development and Family Welfare, n.d).

The government alone will not be able to sustain for the financial needs with respect to the upcoming challenges and in this respect, the private sector in Mauritius is being increasingly made aware of the need to include the sustainability variable at corporate level. The Corporate Social Responsibility (CSR) system was introduced in Mauritius in 2009, whereby profitable companies were to allocate 2% of their book profits for carrying out CSR activities. These activities could be done by companies directly or through an approved NGO, a Special Purpose Vehicle (SPV) such as a Foundation or a corporate partner. The areas of intervention were Socio economic development, Health, Leisure and sports, Environment, Education & Training and Natural Catastrophes which were amended in 2010. However, the operation of the CSR system received numerous criticisms from the civil society, following which the guidelines were amended in 2012 and 2015 to put more emphasis on the most urgent problems and ensure national coverage (MOFED, 2016). In the 2015-2016 Budget, the new National CSR framework was announced with the implementation of a National CSR foundation to better monitor the CSR programmes and allocation of funds.

In order to support listed companies that are already practicing the sustainability initiatives; the Stock Exchange of Mauritius (SEM) came up with the SEM Sustainability Index (SEMSI) to facilitate responsible investment and to create a more sustainable capital market based on the four pillars namely economic, environmental, social and corporate governance. SEMSI is a platform which helps in creating value for investors and listed companies which must go through the Sustainability Assessment Exercise based on the 4 key pillars of sustainability (Stock Exchange of Mauritius, 2016).

1.2 Problem Statement

The world will be facing important challenges which are related to economic crises including poverty, income disparities, high youth unemployment; demographic changes with an ageing population and a very low birth rate and there is an urgent need to address social protection systems issues for a sustainable Mauritius. Sustainability as regards climate change, as well as food security, is increasingly becoming a cause of great concern for the country (World Bank, 2015). The Sustainability Development Goals (SDGs) adopted since 2015 differ from the Millennium Development goals (MDGs) in that they call on the public and the private sector to cooperate with the signatory governments to tackle the most serious issues facing humanity. Mauritius is no exception to this worldwide trend and in view of the limited means and financial resources from the traditional mainstream, there is a potential market for SI which is viewed as a revolutionary way to reach out the more vulnerable group through public-private investment channels.

1.3 Research Aim and Objectives

The main aim of this investigation is to undertake a need assessment of a possible social investment market in Mauritius. More specifically the objectives are to:

1. Uncover the potential for the emergence of sub segments of the SI market relative to demand,

supply and intermediaries.

2. Assess the social needs and the current national environment for the setting up of SI framework and its ecosystem.

3. Identify the key drivers for enabling the setting up of the SI market in terms of organisation, instruments, policy and fund; and

4. Assess the opportunities and challenges for shaping up the SI market.

With regard to the scope of the study, a mixed approach has been adopted. In the first instance, the research design involves a survey carried out with different players of the potential investees in SI market: namely NGOs, cooperatives and associations to identify the existence of the demand.

The focus groups have been conducted to gauge the enabling environment and the ecosystem with regards to the social system, the regulatory framework and the financial market development. The target respondents were from the supply side of the potential SI market including Banks and other financial and non-financial institutions to identify the intermediaries; as well as Government agencies, foundations, institutional investors and funds to identify the supply side.

1.4 Research Significance

To the best of our knowledge, there has been no previous research studies conducted in the area of social impact investment in Mauritius. The research study shall create a new avenue towards SI in Mauritius by conducting a feasibility study at both the demand and supply sides. The financial service providers, organisations, the financial regulator as well as the Government of Mauritius can consider favourably the possibility of implementing SI in the local market to achieve sustainability and growth at the national level. SI can be used to enable social sector organisations to develop new or existing activities that generate income.

The rest of the paper is organized as follows: Section 2 attempts to scrutinize the various concepts and models of SI and the experiences of SI worldwide. The Research methodology is detailed in section 3. The outcomes of the study are analyzed, interpreted and discussed in section 4. Recommendations and conclusions appear in section 5.

Literature Review

2.1 Fundamentals of Social Investment

Social Investment (SI) challenges the dichotomy that social and environmental issues can only be addressed through philanthropic donations, and that investments emphasize only on achieving financial returns. By bringing a third dimension, called “impact” to the traditional risk and return priorities of capital, SI has broadened the spectrum of purpose investing with the possibility of generating moderate to high financial returns as well as high social and environmental impact (National Advisory Board Germany, 2014). The capital spectrum is depicted in Figure 1 below.

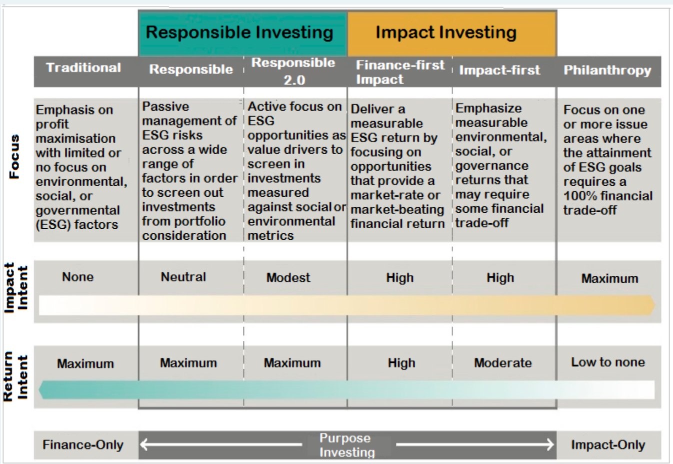

Figure 1: The Capital Spectrum (Source: Sonen Capital (n.d)

According to Social Impact Investment Taskforce (2014), the four core characteristics of SI are the investors’ intent, the possibility of financial returns, return expectations ranging from below the market to market rate returns and impact measurement. SI encompasses an intention to proactively generate positive social or environmental outcomes. This can be contrasted from socially responsible investing which usually involves negative screening of companies along ESG lines (Laing et *al.,* 2012).The core social target areas for social investment earmarked by OECD (2015) are Ageing, Disability, Health, Children and Families, Public Order and Safety, Affordable Housing, Education and Training and Unemployment.

Expected financial returns generated through SI have high variance ranging from concessionary to risk-adjusted market rates depending on the funding mechanisms, the financial instruments, and investors' perception and benchmarks considered. O'Donohoe et *al.* (2010) and Dembek et *al.* (2016) highlight that some impact investors would trade-off financial returns for social impact but increasingly, entrants to the SI market are of the view that impact should be an integral part of portfolio construction and that the regulatory framework and a fiduciary structure should be setup to generate risk adjusted returns that compete with traditional investments.

The critical and most challenging feature of social investing is the commitment to measure and report the social and environmental performance and progress of underlying investments (National Advisory Board Germany, 2014). Impact measurement helps to ensure transparency and accountability, and is essential to the practice of social impact investing. A review of literature underlines that different methodologies (Mission Alignment, Logic Model, Experimental and Quasi Experimental) and, social return metrics, Social Return on Investment (SROI), Benefit Cost Ratio (BCR), and Economic Rate of Return (ERR)) are being applied at various steps in impact measurement planning and estimation, monitoring and evaluation (e.g. The Social Investment Taskforce, 2014(b); Staskevicius and So, 2015; GINN, 2016). Dischter (2014) argues that the existence of so many tools and best practices used by impact investors are however, not considered to consistently communicate the results of their investments. Efforts to use a more defined framework for measuring impact (for instance, the IRIS standards, and the GIIRS ratings) has curbed this issue to some extent but the challenge remains in finding a unanimously agreed-upon standard of what social impact data should be collected and shared by impact funds.

2.2 SI Ecosystem

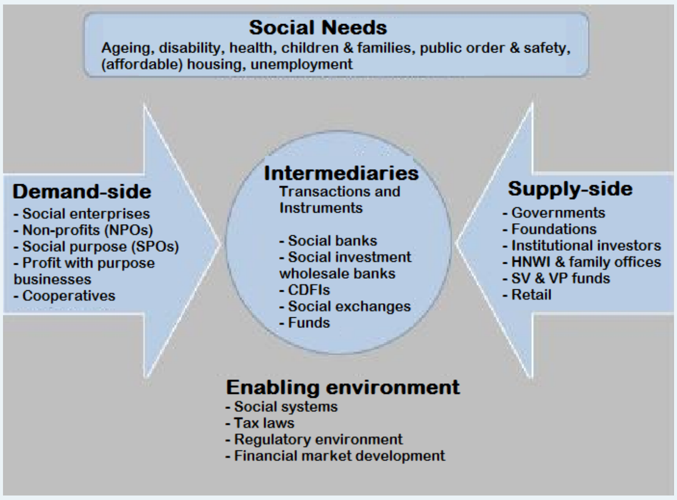

Figure 2: The Generic SI Ecosystem (Source: OECD, 2015)

SI, like any market, consists of the demand and supply side connected by the intermediaries to address a set of social needs boosted or hindered by the environment. The review of existing literature reveals the existence of a generic framework depicted in Figure 2 although it cannot be readily applied to any ecosystem. In fact, Hochstader and Scheck (2014) pointed that some players may encompass different roles and could fall in different categories. For instance, in some jurisdictions, the government may play the role of the intermediary while receiving funding from donor agencies.

The European Commission (n.d) make clears that SI relates to investment in people with policies designed to strengthen skills and capacities and to participate fully in employment and social life (UNICEF (2008), OECD (2001, 2006)). The emerging SI market attempts to develop ways to connect socially motivated investors with social organisations in need of capital with the objective to grow and make a greater impact on society (OECD 2011). Investment in human capital has the mechanism to raise productivity as depicted in Becker (1964).

Vandenbroucke et *al.*, (2011) emphasize that child-centered investment strategy needs to be the backbone of any policy for social inclusion as these public investments yield significant returns in later life including reduced crime rates (Esping-Andersen et *al.*, 2002 and Carneiro and Heckman, 2003). Nevertheless all the priority social needs can be efficiently addressed only under a conducive environment. As per OECD (2015), the enabling environment is influenced by the country's political economy conjectures, and the state of the "entrepreneurial finance markets". Wilson (2014) also points out that the structure of the social and financial systems determines the efficiency of public-private partnerships and civil society interaction. Moreover, a conducive legal framework with streamlined regulations for investment is essential for a proper functioning of a SI market (Thornley et *al.*, 2011).

The players of the SI ecosystem normally are classified under investee (demand side), the investors (supply side) and intermediaries. The key drivers in addressing social needs from the demand side are the service delivery organisations. These organisations can include community organisations, charities or non-profit organisations, social enterprises, social businesses, and social impact-driven businesses. In some countries, only non-profit organisations are considered "social", however rules are changing to include profit making organisations with a targeted social purpose. Demand-side actors seek to find new models to deliver social impact and create new markets through their social ventures (HM Government, 2013). The term "social enterprise" began gaining visibility in the 1990s as an innovative business model for meeting social and economic objectives that embodies constraints on the distribution of profits and/or assets, although they may have different organisational frameworks and legal structures across countries (OECD, 2000, Noya, 2009). Social delivery organisations operate in a wide range of geographies and sectors and therefore have varying financing needs. The development of financial instruments across the full risk/return spectrum is needed to meet the varying needs of these enterprises. But, this requires a better understanding of which financial instrument and funding model would be most effective for social ventures at various stages of development (Evenett and Richter, 2013). In addition, some of these organizations are becoming hybrids (Glänzel et *al.*, 2013) and therefore are pursuing a mix of funding approaches.

The Global Impact Investing Network, GIIN (2016) identifies a set of institutional and retail investors who can potentially invest in SI products. Institutional investors include charitable trust funds, foundations with a specific mission, religious organisations, pensions and life insurance funds. Retail investors include wealthy people seeking social engagement through SI asset classes to advance their core social and/or environmental goals, while maintaining or growing their overall endowment. High net worth retail investors constitute a substantive pool for SI products. For instance, in UK, 73% of people with net wealth of between £50,000 and £100,000 are keen to invest in SI products (Triodos Bank, 2014).

Specialist intermediaries are important in the development of the SI market to collect investment portfolios opportunities with financial and social return having acceptable risk levels. Hochstader and Scheck (2014) distinguish among three broad categories of intermediaries namely product providers, exchange intermediaries and professional service intermediaries. Product providers are financial institutions having banking licence like commercial banks, value banks or those not having licences such as specialised exchanges. Exchange intermediaries are social stock exchanges and online platforms as well as investor networks that bring together investors and investees. The last category of intermediaries is mainly support organisations to the SI ecosystem. This includes accountants, auditors and rating agencies to ensure cost minimisation of transactions among stakeholders. In addition, HR and legal consultants provide professional advice in relevant matters to ensure efficient operation of the SI market. Furthermore, universities, research institutes and lobby organizations raise awareness about the concept to potential investors while supporting the development of the ecosystem.

2.3 Funding Mechanisms and Financial Instruments

2.3.1 Funding Mechanisms

There are two distinct modes of transferring capital from investors to investees, namely the transaction and the commission models (NAB Germany, 2014). In the transaction model, capital flows from the investor to the investee either directly or by way of a special purpose vehicle acting as intermediary. Transaction model rests on the existence of socially motivated organisations with business models that allow for the generation of financial surpluses. In fact, the transaction model would be viable for social enterprises which have clear social and/or environmental mission, operate autonomously, generate the majority of their income through trade while re investing the majority of their profits and are governed by the principles of transparency and accountability (Social Enterprise UK, 2012). Furthermore, the investments through such mechanisms would mostly correspond to the 'Finance-First Impact' framework in the capital spectrum.

On the other hand, in the Commission model, repayment to investors is not provided by the socially motivated organisation itself but by an interested third party ("outcome payer"), such as the government, a public funding agency, a donor institution or philanthropic organisation. This model is generally based on contractual obligations for example, dependent on the success of the social services performed. Such mechanisms are of particular interest to classic non-profit organisations, as it allows them to raise private investment capital without having to generate direct financial returns for the investors. Subsequently, it would match the Impact First in the investment spectrum. Hence, intermediaries need to build capabilities with the objective to support governments and investors in eliminating the gap between different institutional cultures and supporting technically the outcome values, risk premiums and payment schedules in order to attract investors and outcomes payers. Besides, both service providers and intermediaries should be capable in developing the necessary tools and capacity to measure, track and deliver social outcomes both effectively and bear a good return over investment (Center for Global Development and Social Finance, 2013).

2.3.2 Financial Instruments

Typically, social impact investment entails the use of debt grants, loans, guarantees, quasi-equity, bonds equity and angel investing to deliver a social or environmental impact as well as a financial return. The balance between the two will differ depending on where the instrument lies on the spectrum as well as how well the investors and investees perform (Kramer and Cooch, 2006). A common form for impact investing is through the provision of private equity capital, whereby an investor takes a share in an unlisted company, typically SMEs (Rosenberg and Bonsey, 2016). Private investments in SMEs attempt to achieve the greatest social impact on local economies with a backbone driving entrepreneurship, economic growth and job creation. The Socio-Economic Value of the traditional social impact financial instruments can be measured using a Social Return on Investment (SROI) matrix which is depicted in Figure 3 (Emerson, Wachowicz, Chun, 2001).

On the other hand, SI instruments can be set up through more innovative structures which are continuing to be developed to meet the growing needs of the market (HM Government, 2013b). Arguably, the most popular innovative financial instrument in the SI market is the social impact bond (SIB) which is an innovative instrument to finance welfare and other social services. The outcome payer pays upon successful achievement of the outcomes (Azemati et *al.*, 2013). SIB was first introduced in the UK in 2010 and subsequently many countries explored and adopted this instrument. For instance in the USA, SIBs have been used in diverse projects ranging from recidivism (launched by New York City as the first SIB in the USA) to homelessness, unemployment, youth issues, and early childhood education.

Additionally, Development Impact Bonds (DIBs) convert social problems into “investible” opportunities through valuing the benefits of tackling social problems, motivating investors to implement feedback loops, data collection and performance management systems required towards desired outcomes, resulting in a bottom-up, client-centered, effective service delivery. Thus, a market for DIBs influences positively the quality of social services and funding through transparent results can be achieved based on evidences of highest impact generation (Center for Global Development and Social Finance, 2013).

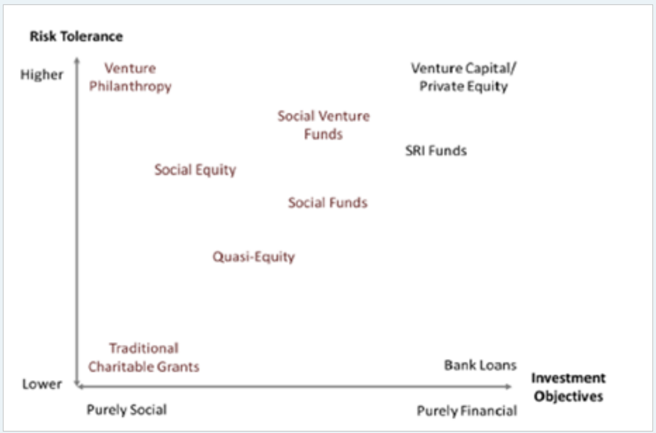

Figure 3: Risk- Return matrix of some commonly used financial instruments (Source: Emerson, Wachowicz, Chun, 2001)

2.4 Country Experiences on SI

Over the last 10 years, many countries have started believing in SI as a possible instrument to boost their economy. Developed economies such as UK are regarded to be pioneers in the SI market. With regard to the developing countries namely India, China and Brazil, it is seen that most of them have devised products to address needs categorised as health and education. Other countries like the USA have generated around $8.72 trillion in 2016 for sustainable and responsible investing (US SIF, 2016).

As a global impact investor since 2007, the LGT Venture Philanthropy (LGT VP) support institutions having significant impact at the social and environmental levels in various countries namely Latin America, Africa, Europe, India, Southeast Asia, and China. Its aim is to improve the quality of life of disadvantaged people in developing and emerging countries through grants, debt and equity, transfer of business and management know-how, and access to relevant networks. Furthermore, According to the OECD (2012), Brazil is among the 15 most unequal economies in the world. Impact investing in Brazil is therefore mainly infused in schooling, financial inclusion and health care systems (Aspen Institute, 2014). On the other hand, India has encouraged impact investing through the high net-worth individuals (HNWIs), to provide grants to NGOs, while domestic foundations such as Intellecap Impact Investment Network (I3N), Mumbai Angels, and the Indian Angels Network emphasize on the technical assistance for the SMEs, (GIIN, n.d). Moreover, the Small Industries Development Bank of India (SIDBI) as well as the National Bank for Agriculture and Rural Development (NABARD) are domestic development institutions, offering a variety of financial schemes for micro and small enterprises (GINN, n.d).

2.5 Summary

This section has given a perspective on SI covering the different players which form part of the SI ecosystem. This could be used as a base by other countries contemplating the adoption of such innovative financing models to address ESG goals. A more detailed view of experiences of SI by different countries is given at Appendix 1

Research Methodology

3.0 Introduction

The study adopts a mixed approach to gauge the social investment market from both investors and investees perspectives. The target population on the demand side includes NGOs, SMEs and Cooperatives. The SMEs operate in different sectors namely agriculture, manufacturing, service and others. Specific databases were used for the different categories of investees: The NGOs were CSR Accredited NGOs; the list of registered SMEs was obtained from SMEDA while the directory of cooperatives was used as a database for cooperatives.

For the supply side, the choice of qualitative research has been privileged, as an in depth understanding of concept is required and the limited statistics would not help in answering the questions required (Cresswell, 2007). A few relevant, carefully chosen individuals have been studied in depth to get maximum information about the concept under investigation (Mcqueen and Knussen, 2002). In fact, focus group discussions have been conducted with different stakeholders including Ministries, Government agencies, Banks and other financial institutions, foundations legal representatives and fund managers to earmark the potential roles of each player, assess the current eco-system and to uncover the enablers and barriers for the Social Investment market development.

3.1 Demand Side

3.1.1 Research Design

Stratified random sampling method was employed to identify the sample respondents. This technique was used for his high precision and because it ensures the presence of each key subgroup within the sample. A questionnaire was designed to gauge organisations' awareness and knowledge about social investment in Mauritius, their willingness and readiness to adopt social investment. The questionnaire was divided into 3 parts. The first part comprised of 19 questions relating to the organisations' modus operandi. The second part comprised of 11 questions concerning the organisations' views and perceptions relative to social investment. The third and last part comprised of 10 questions concerning the organisations' agreement to statements relating to social enterprise.

3.1.2 Administration of Questionnaires

The survey was carried out over duration of 3 months starting September 2016. A multi-channel method was used to collect the data. Online survey was the preferred means to reach out a number of potential respondents. Online survey is not only less costly but also less time consuming and more convenient for the respondents. The surveys were sent via email to a list of NGOs, SMEs and Cooperatives. Moreover some SMEs and NGOs were asked to fill in the survey through the social media namely Facebook. However, the response rate on the online survey remained very low and ultimately questionnaires were administered using on spot administration.

3.1.3 Limitations of the Methodology for demand side

The main challenge was to reach out to this specific target group through mail. Many emails failed to reach the recipients because databases available might not be updated or proper. Subsequently these organisations were contacted by phone to obtain the correct email. There was a considerable delay to get a proper list of cooperatives which were not included in our study. The demand side had to be restricted to mainly the NGOs and SMEs.

3.2 Supply Side

3.2.1 The proposed SI framework

Based on the existing literature on the generic models and the financial instruments of SI, a framework is proposed for the Mauritian context after a thorough investigation of the local ecosystem. Adaptations of the Transaction model and Commission model for the Mauritian context are provided in Figures 4 and 5 respectively.

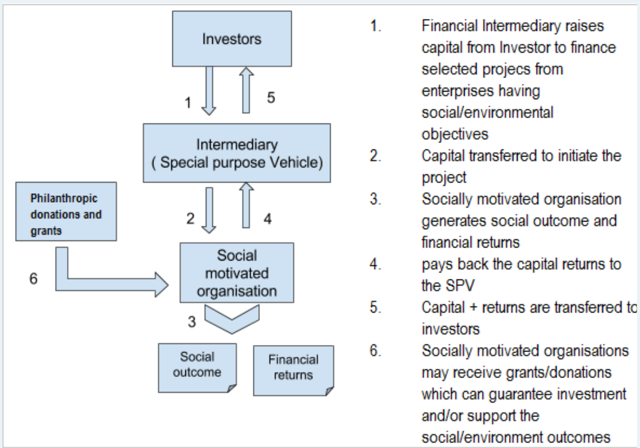

Figure 4: Adaptation of the Transaction model for the Mauritian context (Source: own compilation)

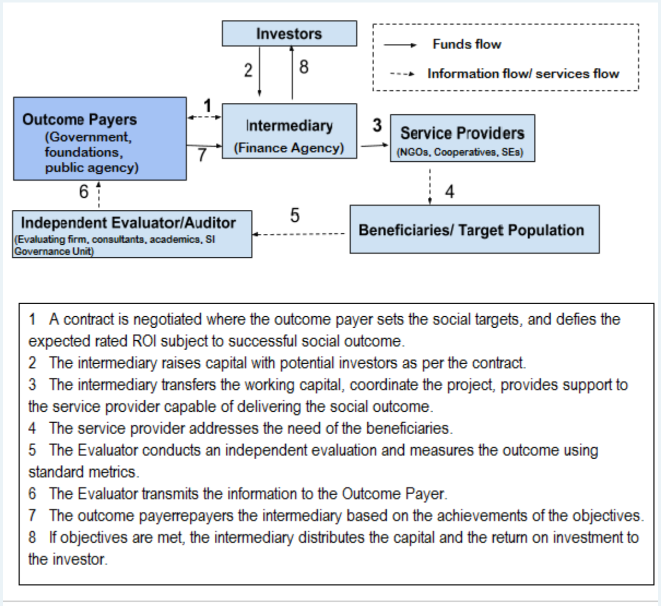

Figure 5: Adaptation of the Commission model for the Mauritian context (own compilation)

3.2.2 Overview of the Focus Group

The focus group comprised of 14 representatives (out of more than 50 invited institutions) listed in Appendix 2. The focus group had to be conducted in several sessions to match the schedules of the participants. The focus group started with an overview of the SI through facts and figures pertaining to the emergence, development, size and growth of the market. The core characteristics of the SI market were elaborated. The concept of impact investing was compared with other components of the investment spectrum ranging from pure financial investment to responsible, sustainable investing and philanthropy. The corresponding impact intent and expected financial returns were compared. The two main funding models, namely the "Transaction" and the "Commission" were explained with illustrative examples using relevant financial instruments. The metrics standards and measurement outcomes were also described. The floor was then opened to the participants for a brief introduction and in depth discussions based on the following broad questions.

1. To what extent the SI market could be implemented in the Mauritian eco-system?
2. Which of the funding models could be more appropriate?
3. What would be the enablers for a SI market in Mauritius?
4. What would be the potential barriers for its adoption?
5. What would be the potential roles of each participant/ institution in the implementation of the SI market in Mauritius?

3.2.2 Limitations

The main hurdle faced in conducting the focus group discussions was bringing all the different key stakeholders together at a convenient time for all. Despite many efforts to adjust to their busy schedules, a few potential players in the SI market did not attend may be because there is lack of interest from industry professionals in the topic or policy research in general. Some insights from potential players have unfortunately not been obtained.

Findings, Interpretations and Discussions

This section brings forth the findings collected at the demand and supply side of SI. It also attempts to gauge into the environment that will be required for adoption of SI models.

4.1 Analysis of Demand for SI

The survey was administered to a sample of respondents which are expected to operate in some of the areas which may be considered as potential investees in the SI market. The survey attempts to gauge into the demand side of SI more specifically, the social orientation and the priority areas for social investment, the current funding mechanism, the awareness of SI among the three target groups and their willingness and readiness to undertake SI. Another focus of this survey is to find out the existing monitoring and reporting mechanism in place and also to assess the potential of the target group to become a social enterprise.

4.1.1 Profile of respondents

The majority of the surveyed organisations are NGOs, representing 54% of the sample. Chart 1 below gives a breakdown of the category of organisation. The SMEs form 34% of the sample and operate in three main sectors of the economy, namely manufacturing (40%); service (29%), and agriculture representing only (8%).

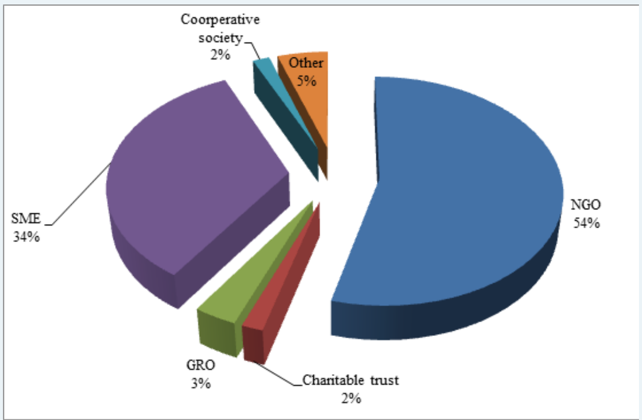

Chart 1: Category of Organisation

Chart 2 gives a breakdown of the respondents' position they occupy in the organisation. Most of them hold the position of president, director and manager/administrator. Occupying a managerial position in itself adds credence to the reliability of the responses.

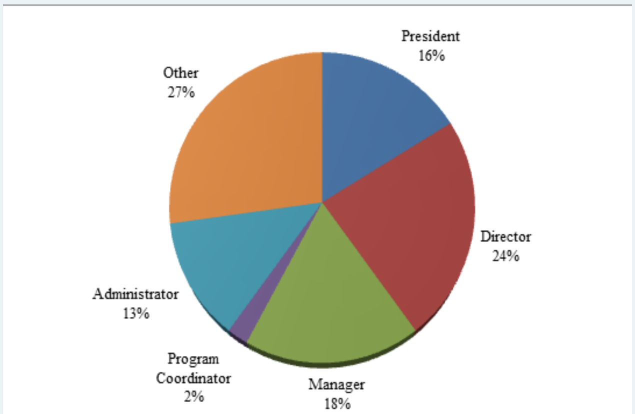

Chart 2: Position Occupied

78% of the firms engage staff and it is interesting to note that nearly 30% have a headcount of more than 10 employees. Employee is one of the common proxies used to measure the size of firm and we may confirm that the majority of them can be categorised as small to medium sized firms. However, 92% of the firms which do not currently have employees contemplate of doing so in the coming year. It is also the common practice for the NGOs to rely on volunteers for some of their social activities. As such, 74% of the respondents engage volunteers as shown in Chart 3.

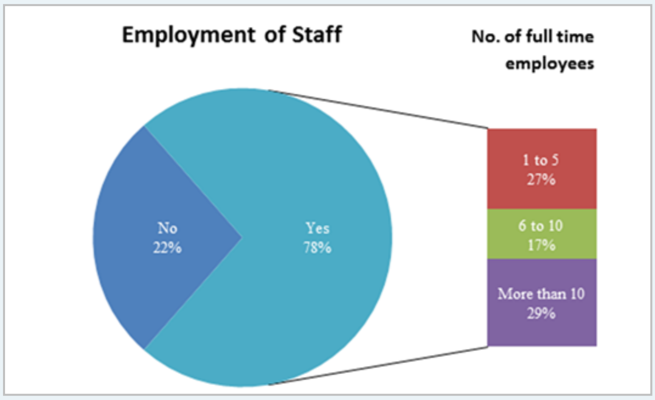

Chart 3: Employees

4.1.2 Social Orientation and Priority Areas

Most of the organisations (30%) are service oriented, meaning that they were involved in activities such as the provision of health, family planning or education services where people are expected to participate in its implementation and in receiving the service. This was followed by empowering orientation (14%) whereby organisations are involved in activities which aim to help poor people develop a clearer understanding of the social, political and economic factors affecting their lives, and to strengthen their awareness of their own potential power to control their lives. Next is the participatory orientation (6%) which is characterized by self-help projects where local people are involved particularly in the implementation of a project by contributing cash, tools, land, materials, labour etc. In the classical community development project, participation begins with the need definition and continues into the planning and implementation stages. And lastly is charitable orientation (5%) which involves a top-down paternalistic effort with little participation by the "beneficiaries". It involves activities directed toward meeting the needs of the poor people.

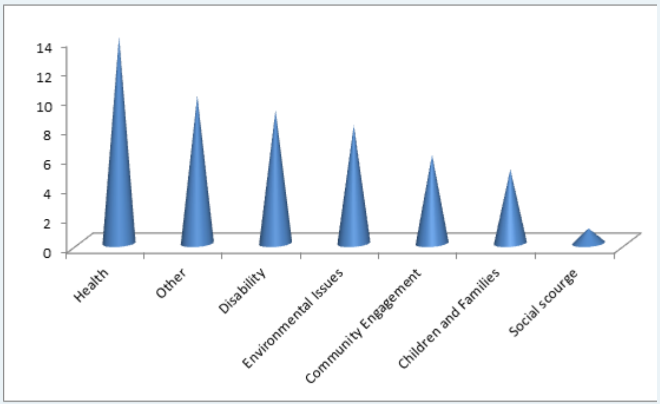

Chart 4: Priority of Social Needs

Chart 4 demonstrates clearly that the priority of social needs match some of the core target areas defined by OECD (2015), like Health, Disability and Children and Families.

4.1.3 Funding Status

The survey instrument attempts to capture the most important sources of funding and the least important among the respondents. Chart 5 shows that CSR and Own funds represent the most popular sources of funding indicating that there is a heavy reliance on these funds. Grants from international institutions and funding agencies and Government funding remain relatively limited. The difficulty of service providers to optimize on the different sources of funding indicates the need for a more innovative form of financing (HM Government, 2013).

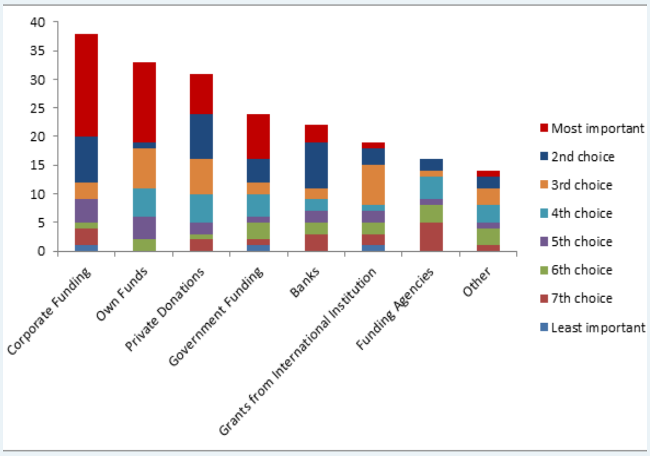

Chart 5: Importance Sources of Funding

4.1.4 Awareness of Social Investment

Based on the responses, 35 (60%) of the surveyed entities has heard of the term social investment and or social impact investment. Although, it appears that the majority of the respondents claim to be aware about this form of financing, this is more pronounced among the NGOs as compared to the other categories of organisation. The contingency table (Appendix 3 refers) depicts this disparity and the difference is statistically significant. The Cramer's V reports a value of 0.457 which evidences a moderate association between the two variables.

This knowledge is further tested by prompting the respondents to give their appreciation as to whether "social and environmental issues should be addressed only by philanthropic donations". 25% of the respondents are of the view that financing such societal needs depend solely on philanthropic donations while one third of the respondents could not pronounce their opinion about this statement. This clearly shows a lack of awareness and understanding of the concept of SI among potential service providers as highlighted in literature for instance (HM Government, 2013; OECD, 2015; Dembek et *al.*, 2016).

4.1.5 Willingness for SI

A brief definition and description of SI was provided in the survey to enlighten respondents about the concept so that they may respond to the rest of the survey. The result confirms more or less a total agreement about the need for a social investment market in Mauritius. This willingness for such a market is further investigated by prompting the respondents' opinion about three key statements as shown in Table 1.

Your Organization would	N	Agree	Neutral	Disagree
Welcome investors willing to advance social and environmental solutions through funding	43	58	30	12
Willing to undergo an assessment of program effectiveness to be able to attract social investors	46	63	26	11
Willing to set up feedback mechanisms designed for funders in the context of social investment	45	62	29	9

Table 1: Willingness for SI

The above results point to the importance of social investment as an innovative way to finance projects which have societal and/or environmental impact. For this to become a reality, the organisations should display a readiness for such funding mechanism, which is analysed next.

4.1.6 Readiness for SI

The readiness of the Mauritian NGOs and SMEs to attract social investment is firstly assessed through a number of statements as displayed in Table 3 in connection with their social values and mission (Evenett and Richter, 2013). The responses indicate that effort is made with regards to constantly improving the efficiency of the organisational mission. The readiness to engage in social investment also requires some ethical behaviour among the stakeholders and the survey finding shows that 72% of the respondents are already working in this direction. Furthermore, for a proper measurement of the social impact which forms part of the ecosystem, it is important to assess the monitoring and reporting mechanism of the organisation. Chart 6 shows that most of the surveyed organisations have an internal monitoring system to track down progress of ongoing projects and activities which benefit from philanthropic donations in the case of NGOs and government grants for the case of SMEs.

Your organization	N	Agree	Neutral	Disagree	Mean
Promotes ethical behavior among its stakeholders	54	72	20	8	1.94
Constantly works towards improving the efficiency of its social mission	53	77	17	6	1.87
Strives to meet its financial goals	55	75	14	11	1.98

Table 2: Readiness for SI

However, the functioning of an effective monitoring and reporting system depends on the accessibility and availability of human capital and the governance mechanism in place. The survey instrument attempts to capture these using a number of constructs. Chart 6 shows that the majority of the respondents comply with the statutory requirement to prepare and file accounts. In fact 59% of them avail the services of professional accountants. But this trend is not observed when it comes to the other professional services like legal adviser, consultant for core operations and HR matters. This is an area that needs to be addressed for a successful monitoring mechanism because to ensure that the social outcome is adequately measured, the organisation must not only have transparent accounts but also comply with the governance principles (The Social investment Taskforce, 2014b). The survey findings reveal that 82% of the respondents are preparing financial statements that are transparent and that 67% claim that the level of governance is satisfactory.

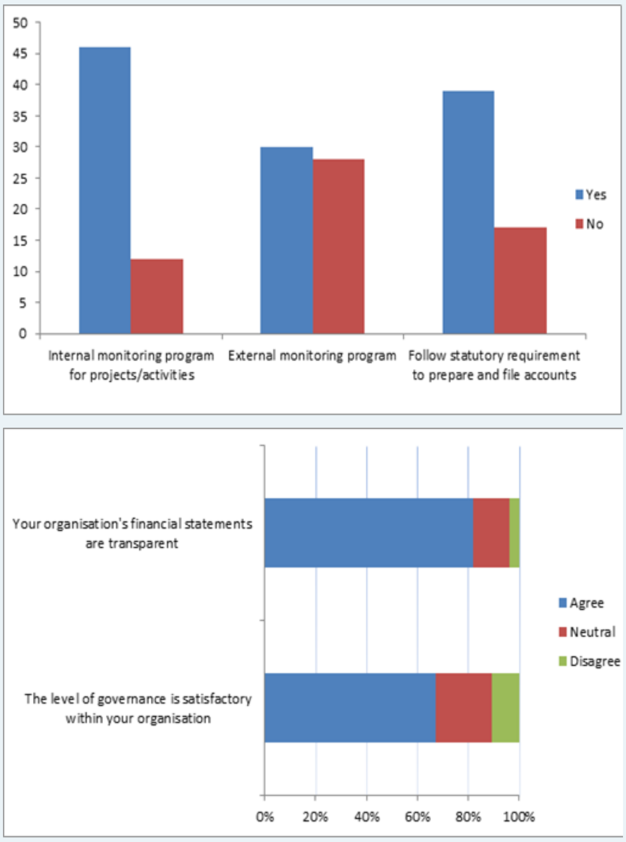

Chart 6: Internal and External Monitoring Mechanism

4.1.7 Potential to become Social Enterprise (SE)

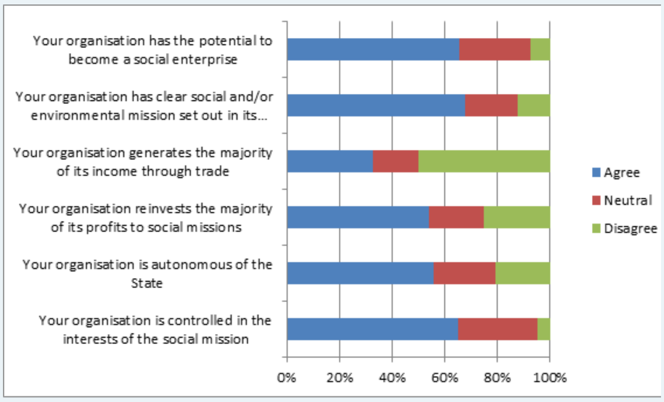

Chart 7: Social entrepreneurship characteristics

SE is an integral part of the eco-system for a social investment market more specifically in the transaction model (National Advisory Board Germany, 2014). The 5 point Likert Scale question "your organisation has the potential to become a social enterprise" gives a mean score of 2.1, with 65% of the respondents being of the view that their organisations have the prerequisite to become a social enterprise. Thus the survey on the demand side attempts to assess the readiness of the Mauritian firms to become a social enterprise. The survey instrument contains a number of statements ranging from social intent to achieving a social mission based on Social Enterprise UK (2012). Chart 7 below clearly demonstrates the organisation's readiness to become a social enterprise. 68% of the respondents admit that their organisation has a clear social and/or environmental mission statement inbuilt in its governing documents. There is also evidence that the majority of the entities reinvest their profits for a social cause.

4.2 The Supply Side of SI

The following sub-sections focus on the perceptions gathered from the qualitative approach namely focus groups with respondents from various institutions in the supply side.

4.2.1 General Views

The majority of the participants have heard about the term SI but they unanimously informed that there are misconceptions and confusion with the concepts of CSR and responsible and sustainable investing. According to one participant from the corporate world "*The way we interpret SI is vague. It is very important that this concept is made clear for everyone so that everyone can understand how SI differs from the present CSR framework*". Also, the risk is that stakeholders who are not well versed with the concept "*may not believe that SI will satisfy financial performance".*

In general, the participants were extremely favourable and positive about the concept of SI and agreed that this emerging type of investment could provide an innovative complement to the public-private capital in addressing the growing social and economic challenges in Mauritius. One of the representatives of the Ministry of Finance stated that the Government of Mauritius is "*moving from grant funding to allocation of contracts based on performance for basic public works and there is a real need for a new service model*". Furthermore, one of the representatives from an Islamic Bank highlighted that the principle of Islamic finance based on "*profit with social justice*" and "*preservation of wealth*" fits the scope of SI.

The core characteristic of SI that has been favorably welcomed is the measurement of the social outcome. It has been highlighted that the budget for social protection as well as funding available from international agencies to meet the MDGs have considerably increased but there is no effective monitoring process due to absence of Key Performance Indicators (KPIs). Various words were used to describe the current situation namely *"wastage", "misuse of funds", "mismanagement", "high inefficiency*". However, the concern expressed especially by umbrella organisations like NICE; MACOSS and MYBIZ was pointed more towards the reporting mechanism encompassing impact measurement, which could translate into an administrative burden to be born solely by the investees as it is the case for the current CSR Framework.

4.2.2 Transaction v/s Commission model

The Transaction model was perceived to be more easily implementable because of its relative simplicity compared to the Commission Model. The fund managers were of the view that the Transaction model would be more *"appealing to the investors"* due to its limited perceived risk and the possibility of a financial return equal or higher than market rates. However, the main concern of the Transaction model lies in the fact that the service providers have to generate financial return as well as social outcome. For the representative of the MACOSS, currently most NGOs are quite limited in their actions due to the constrained legal framework and the alarmingly restricted capacity to professionalise their services, being mostly dependent on grants and donations to survive. He pointed out that nevertheless, recently, a few NGOs have started to operate as SEs in Mauritius. Participants from the banking industry were skeptical about SMEs becoming SEs as they have observed in many cases the *"lack of financial discipline", and the "absence of entrepreneurial mindset".*

On the other hand, the Commission model is perceived to be more suited in Mauritius as a financial return is not readily expected from the service providers. But this model would be viable only under a reinforced public-private-civic sector partnership through a *"continuous process with transparency and communication being an integral part to create a synergy*". This model rests on the capacity of the government (outcome payer) to drive the project but participants from the private sector have highlighted that "All the ingredients are there to make it happen but there are often some administrative problems from government that (may) halt the process". While benchmarking with current National CSR Framework, they informed that "for the time being, the situation is quite messed up". According to the participants, investors might initially be reluctant to invest because of higher risk involved.

4.2.3 Enablers and Barriers

Participants hailing both from the public and the private sector agreed that existing sources of funding could be used by the government (outcome payer) to effect payment upon success or to act as guarantee for the SI product . Some of the types of funding that were cited are "*The Maurice Ile Durable (MID) Fund, Decentralised Cooperation Programme / Marshall Plan against Poverty, Lottotech Funds, CSR Funds"*. Alternatively, the funds collected through the Muslim community could be tapped into and *"injected in the SI market"* under appropriate fiduciary framework

However the biggest barrier that was unanimously pinpointed was the lack coordination between public-private sectors and the civil society. Private sector respondents also feared that there is lack of capacity from government as outcome payer to *"quantify the social needs given the actual dispersed and disorganized mechanisms used to address social issues".* As pointed out by representatives of BOI and Business Mauritius the challenge would be to attract the conventional investment community although, private equity capital could be the more appealing financial instrument. According to a corporate sustainability manager, the private sector *may find it difficult to incorporate SI into the business strategy as there would be a tendency to believe that they are already investing in SI through their CSR funds"*. For the fund managers, SI instruments like fixed income asset class should be privileged for retail investors *"as Mauritians individual investors tend to initially favor fixed income gains"*. However, *"this may take time and requires education of all parties (e.g. Trustees, Investment Committee members, retail investors) and provision of incentives would be necessary"*.

4.3 Discussions

4.3.1 Funding gap

The overview of the outputs from demand and supply side uncover a real gap in the funding of the social service providers. Stakeholders confirmed significant budgetary measures to increase financial and fiscal incentives for SMEs and NGOs as well as the availability of funds from international agencies to these effects. Along the same line, 2015-2016 Budget has also provided far-reaching social measures, including housing needs and a Marshall Plan against poverty, in line with SI social targets (OECD, 2015). However, the analysis from the demand side does not rate government funding and grants from donor agencies as the most substantive source of funding. A Kruskal-Wallis H test (refer to Appendix 4) showed that there was no statistically significant difference on the importance of government funding among the different types of service providers, with a $\chi^2 = 4.289$, p-value = 0.117. Similar results have been obtained for international donor agencies $\chi^2 = 0.374$, p-value = 0.829). On the other hand a significant difference was observed for funding from the corporate, own funds, banks and other funding agencies.

The budget 2016 brings forth a National CSR framework (NCSR) to better address the social needs from purely philanthropic donations. In line with the study objectives to investigate into the current funding issues, the majority of respondents from the demand side are aware about this newly proposed NCSR framework for Mauritius. However, most of them are not too sure as to whether this new framework will improve the current funding mechanism for projects falling under the priority areas. Along the same line, concerns were raised regarding the changes brought to the CSR framework by some of the participants during the focus group on the supply side of the SI market to improve funding of social causes.

This confirms the need to explore SI as an alternative form of funding although this does not relieve the government of its responsibilities. SI also has the potential to help deliver public services more efficiently and, in some cases, tackle the underlying causes of growing demand for services instead of just trying to cope with their consequences (HM Government, UK 2016).

4.3.2 Laying the foundations for the SI market

The study reveals the lack of in-depth knowledge about the SI concept from both demand and supply side including potential key stakeholders. This is in line with studies conducted in countries at the very initial stage of implementation of the SI market. Capacity building, as well as providing incentives to the investors and investees, is the most efficient ways to boost the SI market. But most importantly, a culture change in the investment sphere, including fund managers, retail or institutional investors would be a prerequisite for the emergence of SI in Mauritius.

The lack of consensus in the screening, management and evaluation of an impact investment is found to be one of the biggest barriers of social investment (Social Impact Investment Taskforce, 2014). The metrics to be adopted for the Mauritian ecosystem appears to be one of the main challenges with stakeholders from supply side having diverging opinions about whether to "adopt" or "adapt from" existing standards. In addition, most service providers in Mauritius display certain positive characteristics for the adoption of SI but they are not fully equipped in terms of logistics, staffing and mechanisms to integrate impact measurement without weighing down the delivery.

In line with Duiker et *al.* (2016) effective intermediation is perceived to be the backbone for the implementation of the SI market in Mauritius. Setting up a strong intermediary at the early stage of the ecosystem infrastructure development will promote the synergy between investors and service providers and government, which may help in bridging historical perceptions that social outcome, can only be associated with philanthropy and not investment (Freireich and Fulton, 2009).

As highlighted in literature, social entrepreneurship is a critical factor in a SI market. Although the majority of service providers have shown confidence about having the prerequisites to become social enterprises, the views from supply side stakeholders are less optimistic. As a matter of fact, there is currently no legal framework for a social enterprise. The regulatory framework for the Mauritian business entities is such that the Companies Division is responsible for all business entities, including SMEs while the Registrar of Association governs the NGOs.

4.3.3 SWOT Analysis

Finally, based on the analysis from the demand and supply side, an overview of the strengths and weaknesses of the SI models as well as the opportunities and threats to the setting up of a SI market is provided in the Table 3 below.

Strengths	Weaknesses
1. Priority areas in Mauritius correspond to the core social targets areas under SI	1. business communities are not too familiar with the new innovative financing mode
2. Growing consensus by government towards measuring social outcomes to optimize fund allocation	2. Perceived complexity of the funding mechanisms
3. Social and environmental Impact without 100% financial trade off appeals to stakeholders.	3. Below the market financial returns may not attract mainstream investors
4. SI is an innovative financing mode to meet the growing needs of socio-economic challenges	4. Inadequate monitoring mechanisms at the level of services providers
5. SI aligns with the principles of Islamic Finance.	5. Too many methodologies and metrics for social impact measurement
6. There is evidence of successful implementation of SI in developed economies and part of BRIC	
Opportunities	**Threats**
1. Organizational motivation from both demand and supply side	1. Lack of awareness about this mode of investment from both the demand and supply perspective.
2. Perceived inefficiency of current social transfers to address the most pressing needs of society	2. Insufficient knowledge about the concept from potential SI product providers
3. Inadequate funding received by service providers	3. Misalignment of the vision of Public-Private-Civic sectors.
4. Criticisms of the current CSR framework	4. Lack of trust in government as far as governance and transparency is concerned
5. Willingness to measure the efficiency of social protection schemes by the government	5. The choice of the most efficient financing model for the local context
6. Availability of funds from international donor agencies under existing collaborative agreements	6. Perceived lack of financial discipline and entrepreneurial mindsets from SMEs
7. Absorption of MDGs into SDGs which privilege public-private sector partnerships.	7. Institutional investors are already contributing significantly to the CSR framework
	8. No framework for SE and Intermediaries

Table 3: SWOT Analysis of the SI Market in Mauritius

Conclusion and Recommendations

5.1 Conclusion

As confirmed by Henry David Thoreau, “Goodness is the only investment that never fails”. Hence, if the needs of society are made open and transparent to the society at large, investors (either individual or corporate) would be encouraged to invest in financial products that would generate social impact for the country. Subsequently, this investigation recognises that impact investment does not only generate income and wealth for a society, but also awakens fraternity among mankind, love for humanity and a healthy society to move towards economic wonder for the country, creating an enabling environment to connect demand with supply.

The main findings of this study have brought forth valuable insights which could be useful for the SI implementation in Mauritius. The literature review on this innovative financing mode has paved the way forward for the government of Mauritius to consider the feasibility of a SI market to respond to the growing societal and environmental needs. No country alone can fund the ever increasing demand for social protection using only public funds. The country experiences and in particular the pioneers of SI market like the UK, have uncovered the potential of SI market to generate social outcome and increase the quality of life for the most vulnerable groups.

The survey findings on SI have established the need for such instrument from both demand and supply side in Mauritius. There are sufficient grounds that our SMEs and NGOs have the prerequisite to embrace this mode of financing although challenging barriers exist. It was found that most of the organisations are service oriented, meaning that they are involved in activities such as the provision of health, family planning or education services where people are expected to participate in its implementation and in receiving the service. This was more prevalent among the NGOs and they have a priority of social needs that match some of the core target areas defined by OECD (2015). The supply side stakeholders agreed that SI would fill a gap in the investment spectrum between responsible investing and philanthropy. The study findings confirmed the willingness and organisational motivation despite the limited knowledge about the SI mechanisms.

Stakeholders have also highlighted the inconsistencies and the inefficiency of the current funding channels and this is further reinforced through the findings that socially motivated organisations are facing difficulties to meet their funding needs although initiatives from government, private sector, religious organisations and donor agencies to finance these projects have increased considerably. The 2 funding models proposed for the SI market allow for a better evaluation and assessment of the outcome, thereby increasing efficiency although there is a need to adopt a standard measurement criterion.

The readiness to move to a SI market is evidenced by the ability of potential investees to promote ethical behaviour among the stakeholders, to constantly improve the efficiency of their social mission and also to work towards achieving the financial goals. The research findings revealed that except for the statutory obligations of preparing and filing of accounts, the organisations fail to avail to professional services for the other functional areas of the business. Furthermore, there is potential for the service providers to become social enterprises as the social intent is inbuilt as part of their social mission. The assessment of the human capital and governance mechanism depends on the ability and capacity to engage professionals. The initial infrastructure development relies on the existence of intermediaries to build the dialogue between investors and social ventures. Intermediation platforms are needed for optimal alignment of investor and investee risk/return profiles. Moreover the critical challenge remains the ability to attract mainstream investors to the niche SI market through a change in investing culture.

5.2 Recommendations

5.2.1 Setting Up of an Interagency Task Force (ITF)

This task-force should comprise of government, regulatory bodies, potential stakeholders from supply side, representatives of socially motivated organisations and service providers from demand side as well as academics and industry experts.

The building blocks of this Task-force should consist of

- communication through workshops campaigns and publications of reports.
- continued consultation to seek commitment from stakeholders to prevent the enthusiasm from disappearing shortly after the initial announcement.
- monitoring through a SI Governance Unit (SIGU) which will address Environmental, Social, and Governance (ESG) Issues and implement a Governance, Risk and Compliance (GRC)

framework to ensure fairness, transparency, responsibility, accountability, efficiency and effectiveness, performance and risk management.

This taskforce will also be responsible in seeking international expertise to better plan and achieve the milestones (as elaborated in the next paragraphs) of the implementation phase.

5.2.2 Promotion of SI Culture

The study has highlighted the fact that there is a lot of confusion surrounding the related key concepts. The lack of understanding and knowledge of this nomenclature is observed at the level of both professionals (who will be the potential players in setting up of a SI market) and laypersons. It is therefore recommended to raise awareness and increase knowledge by

- disseminating through targeted workshops for a better general understanding of the impact investment sector using standardised terminology.
- incorporating SI in curriculum of finance as well as MBA courses taught at tertiary level to instill an impact investment culture into business operations of future managers.
- raising interest for the students' population in general through national competition awards. The creative mind of youngsters can be ignited so that they can collaborate with the government, regulatory bodies, the donor institutions as well as the service providers.
- creating an e-platform for transfer, sharing and dissemination of knowledge. The system would facilitate the suppliers of fund to know who are in need of fund, while the intermediaries would ensure that the social needs would lead to social outcomes which would benefit the Mauritian society at large.

5.2.3 Building a Strong Intermediation

This study pointed out the critical role of intermediaries to ensure proper coordination. It is therefore recommended that a separate entity is set up by Act of parliament, an independent Board comprised of representatives of the public-private and civic sectors. The entity will be set up with 2 broad building blocks namely investment and market infrastructure.

From an investment perspective of intermediation, the structuring of the SI market will entail

- the collaboration with specialized units of SI in commercial banks, insurance companies and fund management companies
- the provision of advisory services to SI product providers (banks, insurance, fund managers, credit unions, pension fund foundations) for the development, screening and monitoring of an impact investment portfolio, and setting up of an impact reporting framework.

The intermediary should also be empowered to oversee the achievement of SDGs in a centralized manner and participate in building the market infrastructure by

- collaborating with line ministries, the private and civic sectors for the coordination of SI projects with respect to specific SDGs.
- contributing in the setting up of the protocol for impact measurement.
- providing assistance to investors and investees participating in building up the database for SI.

5.2.4 Build SI Ecosystem on Existing Framework

The existing structures and framework of the Mauritian system could be tapped to facilitate adoption of SI in Mauritius .The following could be reviewed and reassessed to incorporate impact investment characteristics:

- Current SME financing schemes
- social outcome assessment framework of NGOs receiving grant from private incentives (for instance Colours of Life of Barclays)
- the NCSR framework which could be reviewed to embed the SI concept.
- SEMSI, whereby the Sustainability Assessment

Exercise could integrate the impact dimension

5.2.5 Attract and Retain Mainstream Investors

Mainstream retail and institutional investors should not only be informed about the concept but they should be attracted through the following measures:

- conduct campaigns to instill investor "activism" to promote social good.
- highlight and provide evidence of financial and social/environmental performance of SI products based on international evidences.
- provide attractive fiscal incentives.
- reduce regulatory barriers to encourage penetration in the SI market.

5.2.6 Pave the way for Social Entrepreneurship

The development of the SI market will be effective through the professionalization of organizations from the demand side which would potentially play key roles in building a stable SI climate. Umbrella institutions such as MACOSS, SMEDA, and NICE should be empowered to provide training to potential service providers towards improving their mechanisms and guidance in seeking SI funding. SMEs, NGOs and Cooperatives must be encouraged to gear towards social entrepreneurship by

- creating legal forms promoting their social mission as well as offering rewards for innovation.
- setting up incubators and programmes to improve efficiency of the socially motivated organisations without burdening their daily operations.

5.2.7 Retain Lessons and Adopt International Best Practices on SI

Mauritius has the advantage of having a benchmark from the pioneers in SI market. One major lesson that can be retained from international evidence is that there is a huge inconsistency in the use of impact measurement methodologies and metrics, causing a hindrance in the expansion of the market. It is therefore recommended that only one standard impact measurement protocol is adopted in the very initial phase of implementation through clear and well defined guidelines.

One of the best international practices that should be applied while implementing the SI framework is the transparent process of SI contract allocation. To increase the legitimacy of the outcome payer and intermediaries and renew the trust from investors and investees, procurement procedures should be adopted for earmarking the potential service providers.

In its initial stage, much effort has been put in designing the SI products. However, increasingly the implementation of SI market is focusing on a bottom up approach starting with the social needs and beneficiaries, not with the financial instruments being applied. As such the social needs to be addressed in Mauritius under impact investment must be identified, prioritised and quantified before proposing a tailor made SI instrument to efficiently generate impact and financial return.

5.3 Limitations and Direction for Future Work

The major limitation of the study resided in galvanising potential key players from public and private sectors as well as the civil society in giving their insights on the SI concept. Nevertheless, during this investigation new avenues for studies in SI have been uncovered and thus future research could encompass the elaboration of the impact measurement protocol and the design of Prototypes of SI instruments for specific priority social targets in Mauritius including poverty, youth culture, women and girl empowerment, drugs addiction and housing.

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APPENDIX 1

COUNTRY EXPERIENCES IN SI

No	SI Demand	SI Supplier	Purpose	Country	Social Target	Description	References
1.	Charities	Big Society Capital (BSC) as an SI Bank	Support charities make programme related investments from any resources and help specialist intermediaries	UK	The society	Grants through loans, subscribe for shares, promotes best practice and knowledge-sharing; improves links between the SI and mainstream financial markets; collaborate with other investors to embed social impact assessment	Charity Commission's Useful Guidelines on Social Investment (2002); http:// www.bigsocietycapital.com/
2.	SEs/ SPBs	SW AHSN	Identification, testing and adoption of innovation from the SE/ SPB sectors to regional commissioning Priorities and provide finance and resources needed	UK	Social Enterprises	Sector-specific SI fund and test develop and scale new ideas.	Big Society Capital (2013)
3.	Charities	Venturesome (2002)	Focus on underwriting and unsecured lending Provide quasi-equity.	UK	Charity Organizations	Mezzanine & Risk finance	Bolton (2005)
4.	Small Businesses and SEs, Disadvantaged people, Small scale African & Asian producers/ individuals & entrepreneurs in developing countries	Aston Reinvestment Trust (ART) (1997), City Parochial Foundation, Northern Rock Foundation collaborates with the Charity Bank, Sainsbury Family Charitable Trusts	Provide access to finance at commercial interest rates, Develop Resource Centre for voluntary organizations, Tropical wholefoods	Uk (Birmingham, London)	Small Businesses, People who face discrimination, isolation and violence, The Society, SMEs	rent office space to voluntary organizations provides a venue for voluntary sector training and conferences, develop a Sport and Healthy Life-style Centre comprising Ladywell Gymnastics Club, soft play area for young children, IT learning project. secured loan scheme, financing including loans, equity and quasi equity	Bolton (2005)

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COUNTRY EXPERIENCES IN SI

No	SI Demand	SI Supplier	Purpose	Country	Social Target	Description	References
5	General Public	Calvert Social Investment Foundation (1988)	High impact investment	USA (Bethesda)	General Public	was set up to popularise community investing both amongst the general public and foundations	Bolton (2005)
6	Primary schools and three community fields in the KwaDukuza area	African Bank Investment Ltd (ABIL)	Under the guidance of 150 coaches and 4608 children participant	Africa	Children extra-curriculum activities through the FOOTY project	engages children as healthy extra-curriculum school activities every weekday afternoon. ensures effective training sessions	African Bank Investment Ltd, (2012) , Integrated Report, 30 September 2012
7	Society		Governance enforcement	France	Public at large	regulations which enforce organizations to consider reporting the social and environmental issues.	Laing et *al.* 2012
8	Brazilian society	Brazilian Social Finance Taskforce (2015)	Social Impact investment	Brazil	Investors	Stimulates innovative support mechanisms to boost the investments having social impact in the horizon 2020.	Aspen Institute (2015)
9	Organizations in early children education	Early childhood education and care (ECEC)	Availability, affordability and educational quality Policies/ social services report social and labor market exclusion.	Luxembourg	Family and Children	Offers Maternity and parental leave schemes equally for both partners. SI Package includes European policies and recommendations, namely recommendations on Active Inclusion (2008) and on Investing in Children (2013).	Swinnen, Pacolet & Vanormelingen, (2015)

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COUNTRY EXPERIENCES IN SI

No	SI Demand	SI Supplier	Purpose	Country	Social Target	Description	References
10	Young People & Old People	Ministry of Education & Government	Youth education through life-long learning (LLL) service, Pension reform & age management plan	Luxembourg	Youth Education , Old Age	Youth education is nurtured through a special life-long learning (LLL) service for migrant pupils within the Ministry of Education and special integration classes; through a Youth Pact and a Youth Guarantee Plan. A pension reform and an age-management plan have been proposed by companies including an improvement in the life-long learning (LLL) strategy.	Swinnen, Pacolet & Vanormelingen, (2015)
11	Women and Children	Social Investment Partners (SIP) - venture philanthropy organization	Japan's social infrastructure for local communities	Japan	Youth Education, Child care, women	focuses on sectors including education and youth employment, childcare and active women participation in the workplace.	Japan National Advisory Board (2014)
12	Needy People	LGT Venture Philanthropy, Quintessa Partners, Aspen Network of Development Entrepreneurs (ANDE), University of St. Gallen Hub São Paulo	attract talented entrepreneurs, and bring investors and additional potential entrepreneurs	Brazil	Philanthropy and Venture capital	Since 2003 a total of USD 76.4m has been invested in 68 impact businesses Investors see impact investing as an intermediate solution between philanthropy and venture capital	Aspen Institute (2014)

APPENDIX 1

COUNTRY EXPERIENCES IN SI

No	SI Demand	SI Supplier	Purpose	Country	Social Target	Description	References
13	Impact investing space in India	Intellecap and funded by GIZ	High invested impact investment	India	Venture approach	A total of USD 1.6 billion invested by impact investors in over 220 enterprises. driven by the inclusion of all investments made by impact investors, and an enumeration of debt investments.	The Landscape for Impact Investing in South Asia / Intellecap Impact Investing Report (2014);
14	Public	Unitus Seed Fund	Invest on "impact businesses" that committed to innovation, high-growth, strong profits, & built-in impact on Base of the economic Pyramid (BoP) populations.	India	Impact Businesses	provides a landscape overview of the history and relevance of impact investing in the context of economic development in India.	The 2013 Unitus Seed Fund Impact Investing Report (2014)
15	Individuals and communities	Big Society Capital's Outcomes Matrix	The matrix includes outcomes and measures for nine outcome areas and 15 beneficiary groups	Scotland	Society at Large	social sector and allows for unique project aspects are considered on improving customers' articulation on outcomes and related impact.	SIS's 2015 Social Impact report
16	SMEs	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)	Grants / free loan	India	Small Enterprises	SIDBI's CGTMSE scheme provides credit guarantee support to collateral-free and third-party guarantee free loans.	GIIN(nd)
17	SMEs	Domestic development banks SIDBI and NABARD	Grants / free loan	India	Small Businesses	boosting SME financing activity subsidiary venture capital arm hold significant potential to scale up finance to impact enterprises.	GINN(nd)

Appendix 2

List of participants in the focus group

Name of organisation	Description of organisation
Afrasia Bank	Headquartered in the Mauritius International Financial Centre with Representative Offices in South Africa, AfrAsia Bank Limited specialises in banking that builds bridges between Africa, Asia and the World. It is active in CSR.
Aon Hewitt	Aon Hewitt Ltd is the Mauritian office of Aon Hewitt worldwide. Aon Hewitt is part of the Aon Corporation and is the world's foremost provider of human resources outsourcing and consulting services.Its actuaries have a wealth of experience in both the local and overseas markets. Their clients have included large multinational financials and industrials and have advised across all the main employee benefit related services.
Barclays Bank	Barclays Bank Mauritius Limited is a subsidiary of Barclays Group. It was the first international bank to establish operations in Mauritius. Barclays,has a long-standing history as one of the leaders in community investment.
Century Bank	Century Banking Corporation Ltd (CBC) is the first Islamic Bank in Mauritius. CBC is a boutique investment bank, combined with private banking and international banking facilities, which targets mainly clients from Africa, Asia and Middle East by offering tailor-made Sharia compliant products and services
Macoss	Mauritius Council of Social Service was founded in November 1965. From a social service coordinating body, MACOSS has evolved into a Council of NGOs dedicated to social services and sustainable social development. As an umbrella organization for NGOs, MACOSS seeks to promote social and community development and voluntary actions through non-governmental organisations.
MauBank	MauBank Ltd started its operation following the merger of National Commercial Bank Ltd (NCB) with Mauritius Post and Cooperative Bank Ltd (MPCB). MauBank's SME team in collaboration with the One-Stop-Shop (MyBiz) of the Ministry of Business, Enterprises and Cooperatives, helps start SMEs by accompanying them throughout its growth, through the required Counselling and Financing. MauBank offer a wide range of banking products and services to SMEs and micro enterprises.
Ministry of Business, Enterprise and Cooperatives	The main activities of this Ministry revolve around formulation of policies pertaining to Small and Medium Enterprises and Cooperatives.The Mission of the Ministry is fulfilled through its three arms, namely the Small and Medium Enterprises Development Authority (SMEDA), MyBiz (SME One-Stop Shop) and Cooperatives Division of the Ministry.
Ministry of Finance and Economic Development	The Ministry of Finance and Economic Development of Mauritius is a ministerial department found in the Cabinet of the government of the republic. It controls all the economic activities of the country as well as determines major price index of all the staples and all other commodities subsidies and taxes. It also determines the price of petrol and gas. The Central Bank of Mauritius falls under the department and is accountable to the minister.
Ministry of Social Security, National Solidarity and Reform Institutions	Ministry of Social Security, National Solidarity and Reform Institutions is a ministerial department found in the Cabinet of the government of the republic.It aims to provide assistance, empower and integrate vulnerable groups, to manage the NPF (contributory pension scheme) and the National Savings Fund and to ensure an effective rehabilitation and integration of offenders in the mainstream society amongst others.
MyBiz	MyBiz is the SME One-Stop Shop which was launched on 14 December 2015. Through MyBiz, SMEs are entitled to general information services and support services related to their initial start-up of projects
National Institute for Cooperatives Entrepreneurship	NICE established under the Co-operatives act 2005 seeks to promote the use of the co-operative set up as a viable form ofOrganization, to provide quality and recognise human research development programme, to benchmark training activities of NICE against best available training methodology and practices and to have regular assessment and monitoring of training needs for existing and potential stakeholders.

Appendix 2

List of participants in the focus group

Name of organisation	Description of organisation
CIEL Foundation	The Foundation CIEL Nouveau Regard (FCNR) was established in 2005 and is engaged in areas such as fight against poverty and exclusion, education and disability. Since February 2010, FCNR has been empowered to receive the CSER tax through funding from subsidiaries companies of CIEL.
Business Mauritius	Business Mauritius is an independent association that represents over 1200 local businesses and has, through them, a national, regional and international reach. Business Mauritius is the coordinating body and the voice of local business, and delivers services that sustain the progress of both business and community.
Board of investment	The Board of Investment (BOI) is the national investment promotion agency of the Government of Mauritius with the mandate to promote and facilitate investment in the country. It is the first point of contact for investors exploring business opportunities in Mauritius and the region. BOI also assists investors in the growth, nurturing and diversification of their business.

Appendix 3

Category of Organisation and Social impact investment

Category of Organisation		Heard the term social investment/social impact investment		Total
		Yes	No	
NGO	Count	21	9	30
	% within Q2:Category of Organisation	70.0%	30.0%	100.0%
GRO	Count	0	2	2
	% within Q2:Category of Organisation	.0%	100.0%	100.0%
SME	Count	7	12	19
	% within Q2:Category of Organisation	36.8%	63.2%	100.0%
Charitable Trust/ Agency	Count	1	0	1
	% within Q2:Category of Organisation	100.0%	.0%	100.0%
Cooperative society	Count	1	0	1
	% within Q2:Category of Organisation	100.0%	.0%	100.0%
Other	Count	3	0	3
	% within Q2:Category of Organisation	100.0%	.0%	100.0%
Total	Count	33	23	56
	% within Q2:Category of Organisation	58.9%	41.1%	100.0%
	Chi square Value = 11.703; Sig. Level = 0.039			

Appendix 4

Kruskal Wallis Test: Sector and Sources of Funding

Sources of Funding	Category of Organisation	N	Mean Rank	Chi – Square (Sig. Level)
Government Funding	NGO	16	11.91	
	GRO	2	4.00	
	SME	5	15.50	4.289
	Total	23		*(0.117)*
Corporate Funding	NGO	28	15.00	
	GRO	1	18.50	
	SME	4	30.63	10.104
	Total	33		*(0.006)*
Private Donations	NGO	25	14.22	
	GRO	1	18.50	
	SME	4	22.75	3.503
	Total	30		*(0.173)*
Q7.4:Sources of Funding: Grants from International Institution	NGO	13	9.23	
	GRO	1	12.50	
	SME	4	9.63	0.374
	Total	18		*(0.829)*
Own funds	NGO	21	18.36	
	GRO	1	23.00	
	SME	9	9.72	7.010
	Total	31		*(0.030)*
Banks	NGO	11	14.32	
	GRO	1	18.50	
	SME	10	7.70	7.040
	Total	22		*(0.030)*
Funding Agencies	NGO	8	9.00	
	GRO	1	12.00	
	SME	5	4.20	5.644
	Total	14		(0.059)

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