

THE STATE AND FUTURE OF SOCIAL IMPACT INVESTMENTS IN MAURITIUS



Financial Services Commission
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Abstract

In the present economic environment as social challenges have intensified and public funds in several economies are under pressure, social investment has become increasingly relevant as an instrument that can simultaneously promote economic, social and environmental development. This study examines the feasibility of a social investment market in Mauritius. Given the lack of data in this field, an array of data collection techniques have been used ranging from desk research, focus group discussion, survey to interviews. The results emanating from the study are in line with the work of other authors like Kohler et al, (2011) and Addis et al, (2013), who identified information asymmetries, fragmented demand and supply, the complexity of deal structuring, unclear definition of the term social investment and high transaction costs as the main barriers, given the market is at its infancy stage. The research also provides some realistic policy recommendations which can be implemented in the short run, medium term as well as long run, to boost up the market and help it mature. The recommendations have been classified under the following categories: Awareness and Access to Reliable Information; Capacity Building and Training; Financial and Fiscal Instruments; Public Sector Procurement and Legislation.

Keywords - Social Investment, Mauritius, Investors, Social Enterprises, Intermediaries

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1.0 Introduction

Social investment also commonly known as impact investment has gained popularity over time as value-driven instruments to address social issues and develop innovative and impactful solutions by having strong connections with the community. Alongside as noted by Porter and Kramer (2011) there is a growing number of experts who point out that social or environmental factors can influence a company's bottom line and are thus critical factors in business decision making processes. Recognising the importance of social investment, many countries around the globe have provided assistance for the development of social investment markets in the form of tax credits, infrastructure through the creation of intermediaries, technical assistance and other routes to ease the links between supply and demand in such markets. For instance, JP Morgan and Global Impact Investment Network (GIIN) conducted a research in 2015 which revealed that the social investment market with total global market value in surplus of \$12bn, has a noteworthy growth potential. Some of the leading countries in this field include the United Kingdom, the United States and France, while there are other developed and developing economies which are also contributing to the growth of new and approaches and models of social investment market. Nevertheless, even if the social investment market has been expanding appreciably and has attracted increasing interest and attention, it is still in the early stages of development (Kohler et al, 2011) and represents only a minor portion of the global capital markets today (Addis et al, 2013), partly due to a deficiency of clear definitions and products and capital across the full risk/return spectrum, a shortage of intermediaries, high transaction costs, fragmented demand and supply and the complexity of deal structuring and information asymmetries.

As with global impact investment trends practice remains negligible in Africa but has the potential to grow and significantly contribute to the continent's economic growth and development objectives. Furthermore Saltuk et al. (2015) state that sub-in the future Saharan Africa is likely to enjoy a rise in impact investment given that investors surveyed claimed that the region has been identified as the geographic area where they anticipate raising their allocations. With this background, the current study seeks to assess the viability for a social investment market in Mauritius, a sub-Saharan country which is one of the preferred domiciles for many investors in Africa and Asia. To be more precise this research attempts at identifying the main actors of the social investment sector, the current key trends, obstacles and opportunities that they face. It also features some evidence based examples in the form of case studies from the sector on enterprises and practices. It further provides policy guidelines to solve the identified barriers as a first step that will drive the setting up and effective operation of an inclusive social investment market for Mauritius.

The paper is set out as follows: the first section provides an outline of the building blocks of social investment market in terms of the main actors from the demand and supply side, the intermediaries as well as the instruments used and the enabling environment to encourage such investment; this is followed by social landscape of social investment in Mauritius which in fact presents the contextual analysis; the next part highlights the methodology; Section 5 reports the research findings and the last section enumerates some policy recommendations for the development of an inclusive and efficient social investment market which can cope with the dynamic economic, social and environmental milieu coupled with recommendations to resolve the challenges as a first step towards developing an action plan and associated roadmap for impact investment in Africa, the last section concludes.

2.0 Ecosystem of the Social Investment Market

Before embarking on the research itself, it is important to understand the ecosystem of the social investment market in terms of first defining social investment which is a quite challenging task in itself, identifying the main actors and their specific roles in the market plus the facilitators either in the form of the environment or instruments and infrastructure.

2.1 Defining Social Investment

Social Investment is not a new concept. In the 1990s in response to major changes in modern societies it cropped up gradually as a social policy perspective. With time, as social challenges have built up and many countries are facing severe budget constraints social investment has become progressively more pertinent as a change in focus from traditional funding, to enclose problem-solving capacity, asset creation, and eventually, sustainability. With such a revolution in the investment and social field, several organisations attempted to define this new notion of investment, often seen as hard to describe given that social investment can be located anywhere on a continuum between purely philanthropic and purely commercial investment. For instance the Global Impact Investing Network (GIIN) define social investment as investment “... *made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.*” Brown and Swersky (2012) characterise social investment as the provision of finance to organisations with the specific expectation of a social as well as a financial return provided through a range of financial products ranging from debt to equity and hence such an investment intentionally results in social good. Another definition is that of Wison who states that social investment “...involves private investment that contributes to the public benefit. This ranges from “impact-first” investors who are willing to provide funding for organizations that are not able to

generate market returns to “financial-first” investors who are more traditional investors but with an interest in also having a social *impact*” (Wison 2014, p.4). However, as pointed out by JPA Europe Ltd (2010), whichever definition ones uses, “*the ends are the same- a social, cultural, economic or environmental mission combined with financial return or financial viability*” (www.jpaeurope.com). Hence in general, social enterprises are defined by their mixture of social mission and commercial orientation (Austin et al., 2006; Mair and Marti, 2006; Doherty et al., 2014) and thus the main challenge facing these enterprises is the management of the opposing institutional logics of social value and commerce (Pache and Santos, 2012) and the call for bridging these institutional fields (Tracey et al., 2011).

For the purpose of this study it was agreed not to attach a rigid definition to social enterprises but to address a wide range of enterprises in order to clearly comprehend how the social investment market (if any) is developing in Mauritius. Further details on the classification of social enterprises in Mauritius will be discussed in Section 3.

2.2 The Main Actors in the Social Investment Domain

The key components of the ecosystem are guided by demand side actors, supply side stakeholders, intermediaries in the form of infrastructure and transaction and financing instruments as well as by the enabling environment which may be in the form of the framework conditions, tax and regulation. Figure 1 depicts the main elements of the social investment ecosystem.

Demand Side actors:

Investees or demand side actors of the market range from charities or non-profit organisations community organisations, social enterprises, social businesses to social impact-driven businesses. While though in some countries only non-profit organisations are considered “social”, the common trend is that rules are altering to embrace for-profits aiming at a social purpose. Given that their area of operation covers a vast range of geographies and sectors, social delivery organizations tend to have different financing requirements. As a result some of them have adopted hybrid structures thereby practising combined funding approaches (Glänzel et al., 2013). Studies (see for instance, Saltuk et al. 2014) have demonstrated that social enterprise are less likely to fail than for-profits ones as they have been created to tackle real problems for which the market is constantly growing. However, investees in this market face various challenges such as:

- i) lack of capacity;
- ii) securing adequate legal forms or conforming to impact assessment standards,
- iii) high transaction and reporting requirements which can be time consuming and do not always feed back into the management and objective setting processes within the organization (OECD, 2013b);
- iv) low investment readiness and
- v) mission drift.

Supply Side actors:

On the supply side, the market consists of investors who provide funds to social delivery organizations as well as support them on strategy, management and growth (Bannick and Goldman, 2012), as a means of diversifying their investments and engage in social activities. The investors are mainly in the form of foundations, philanthropist, high net worth individuals, crowdfunding platforms and government commissioning. According to authors like Koh et al. (2012), foundations perform a critical role in the expansion of the social investment market by providing ‘catalytic’ capital, as well as building the required infrastructure and undertaking mission-related or program-related investments (Rangan et al, 2011). By being independent from government and the markets, private foundations have the freedom to take greater risks, provide long term “patient” capital and delve into and create novel ways to tackle social and environmental challenges. However, according to the World Economic Forum (WEF, 2013) high net worth individuals and family offices, tend to be the most active social impact investors to date. In France, for instance individual citizens engage in social investment through “solidarity funds” also known as the “90/10” funds, which are in fact, pension funds with a social return component. The 2014 Tripodos report claim that citizen participation in the social investment market can be a potential key driver of the

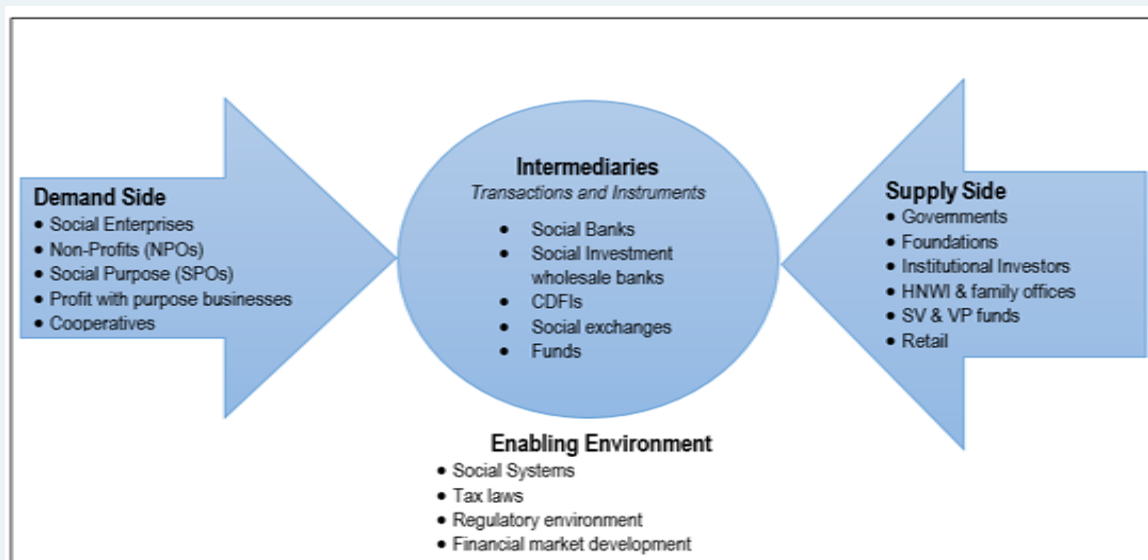


Figure 1 : Main elements of the social investment ecosystem (Source - OECD)

long term success of the market.

Another emerging form of investors in the market, are crowdfunding platforms which in most cases are donation-based (Wilson and Testoni, 2014). While equity crowdfunding platforms are gaining some popularity, in many countries they are still not tolerated due to investor protection. Public sector commissioning has also started to play an important role on the supply side of the market by attempting to involve the most efficient and effective co-operatives, NGOs, charities and social enterprises in the running of public services. For example, by making local authority commissioners consider the potential social value offered by bidders, coupled to cost, in their procurement processes, the Public Services (Social Value) Act 2012 in Britain, aims at making public contracts more within the reach of social enterprises, charities, and small businesses. As far as obstacles are concerned, one of the challenges facing the supply side of the market is to obtain the commitment from traditional investors due to lack of adequate absorptive capacity for capital (Freireich and Fulton, 2009). Moreover according to Wood et al. (2012) the rigid legal requirements facing institutional investors can act as a severe obstacle for social investment.

Intermediaries actors:

Intermediaries who range from independent financial advisors, commercial banks, investment banks, dealers, exchanges and brokers, can play a crucial role in the growth of the social impact investment ecosystem. They assist in connecting investors with investees and other main players in the market as well as aim at enhancing efficiencies in the market through innovative ideas. Authors (see for instance Freireich and Fulton, 2009; Jackson and Associates, 2012; Addis et al., 2013 and WEF, 2013) reveal that intermediaries perform several essential functions such as :

- i) easing payment mechanisms which in turn can result in lower costs and risks;
- ii) creating liquidity;
- iii) offer comparable product performance which in turn leads to better fitting investor and investee

risk/return profiles; and

- iv) enable deal flow, manage funds and provide incentives for the main stakeholders to collaborate.

Nevertheless, Impact Investing Policy Collaborative (IIPC, 2014) claim that the main role of intermediaries in the market remains the creation of infrastructure and building capacity as well as trust and open communication (HM Government, 2013c). In practice, however the picture is completely different as in most countries, intermediaries either do not exist or not well developed to efficiently match the demand side of the market with the supply side. Given high operating costs intermediaries and advisors are hard to finance and hence most nourish on donations while others take a share of equity or charge transaction fees.

Enabling Environment and Instruments:

The social investment market can be significantly influenced by the general framework conditions in a country such as the manner in which social and financial systems are organized, the existence of vibrant entrepreneurial finance markets can given financial market tools can help in developing the social investment market (Wilson, 2014). Information on social perspectives such as data published by the World Values Survey, the European Social Survey, World Bank indicators and the Social Progress Index, which is affected by political economy considerations can in turn impact on the social investment market. The proper functioning of the market also depends on the legal and civil frameworks (Thornley et al., 2011). For instance, existing corporate structures may limit the ability or flexibility of these social enterprises to attract investments, whereas hybrid corporate structures which blend for-profit and non-profit sources of funds may be more appropriate for social organizations (Rangan et al, 2011). To facilitate new social start-ups and reduce risks for both entrepreneurs and potential investors, many countries have established legal precedents or civil codes for social ventures.

Tax laws in the form of tax credits, guarantees or

subsidies have been widely used by governments around the world to support social investors while investees have been assisted through technical assistance or procurement. UK is one of the countries which has amply used tax laws such as the Social Investment Tax Relief and the Community Investment Tax Relief (CITR) (HM Government, 2013b). The role of regulation in the market however tends to be tricky in the sense that it may ease third party assessment of social impacts thereby reducing risks for investors (Reiser, 2013) while at the same time it may generate additional costs for the enterprises themselves. For instance, the EU Structural and Investment Funds (EUSIF) initiative is intended to be beneficial to the social investment market by initiating lighter regulation but may generate more hurdles as decisions on how each fund will be handled will be decided at the national or local level. Other factors which impact on the market include availability of social outcome data to evaluate and monitor the outcomes of social investment, the existing role of private finance in the delivery of social services and the balance between private and public 'interest'.

For a sustainable and inclusive growth of the social investment market, it is important understand which financial instrument and funding model would be most effective for meeting the varying needs of these enterprises at various stages of development (Evenett and Richter, 2013). Though social investment instruments can include grants, loans, guarantees, quasi-equity, bonds and equity, today, most social investment is still in the form of grants, primarily from the philanthropic community, or secured loans. In some countries, however like the UK, US and Australia, "Pay for Success" instruments such as Social Impact Bonds (SIBs), which are a form of public-private partnership rooted in a pay-for-success scheme, commissioned by public authorities, foundation or corporations to provide social services (example criminal justice, employment, housing, health and child/family support) have started to become popular. As such instruments have predefined and measurable target

social outcomes are set up, transparency is ensured. However, as noted by (Addis et al, 2013), they cannot be easily implemented particularly in developing countries given their complex structure. As such, Development Impact Bonds (DIBs) also structured as pay-for-success have started to emerge as alternatives to SIBs in developing countries such as India, Uganda and Mozambique. As opposed to SIBs, the typical DIB commissioner is not local governmental authorities but rather international organisations or development agencies. Yet not all developing countries can readily implement DIBs as their success partially depends on the extent to which contract terms can be enforced. On overall as far as instruments are concerned it can be noted that given the growing needs of the market and increasing uncertainties and risks there is a need for hybrid models using a mixture of instruments.

3.0 State of Social Investment around the World

One of the most developed social investment market in the world is the one found in UK. Key policy enablers and strong intermediaries like the Big Society Capital (a fund of funds that invests in social investment) and legal and regulatory factors have been the main drivers of growth of social investment sector in UK. For instance there were people within the senior echelons of government championing social enterprise and in UK the sector has received cross-party assistance. Another noteworthy example in the same context is the Social Value Act which protects and defends impact while at the same time attracts investment.

In South Asia, India is the largest and most dynamic impact investing market, with USD 5 billion being deployed by Development Finance Institutions (DFIs) and USD 437 million by other impact investors (GIIN, 2015). Nevertheless, further improvements are required in areas like the development and application of a broader range of instruments, the creation of strategic and consistent impact measurement practices and gap filling in early-stage investing.

Within the African continent, according to the Global Impact Investing Network (GIIN), one of the centers of global impact investing is East Africa with a total of 155 impact investors currently handling 203 active investment vehicles in the region. The regional hub of East African impact investing turns out to be Kenya and its capital city Nairobi, given its readily available human capital, rising number of socially-minded graduates, English as its main language, rapid economic growth, an expanding middle class, an increasingly vibrant business ecosystem, large expat and returnee population, an energetic NGO sector. At the same time government has been fully engaged with social enterprises. For example a study by Griffin-EI and Darko (2014) reveals that government has contracted a social enterprise to train doctors to use high-tech health equipment. Yet Kenya has not reached its full potential in this sector given prevailing challenges such as security concerns and no formal recognition for the sector thereby depriving it of prospective investment and incentives.

Moreover according to the 2016 Thompson Reuters Foundation poll involving almost 900 experts in the 45 biggest economies, the five hot spots for social entrepreneurs globally are Berlin, Hong Kong, London, Nairobi and Santiago. In Chile (Santiago) the main drivers for social impact investment were government support in terms of access to funding, a pool of well-educated Chileans, role played by universities, media interest awareness campaign by a Santiago-based NGO named TECHNO and good internet connection.

4.0 Overview of Social Investment

Landscape in Mauritius

In Mauritius overall FDI is robust, with financial, insurance activities, real estate and construction accounting for the bulk of capital inflows. In addition to the legal, financial and fiscal incentives, pushing funds to locate in Mauritius, investors quote political stability, geography, and local professional service providers as major drivers of their decisions to

establish in the country. However when the social/impact investment is analysed, the situation which prevails is quite different. First, there are relatively few reliable reports and data which can inform the research community on how the market is organized in Mauritius. The only published paper on social investment in Mauritius which we could land our hands on, is the one published by GIIN IN 2016. The report reveals that *“to date, there has been minimal impact investing activity within Mauritius. Excluding development finance institutions (DFIs), research has found only 14 transactions. The majority of deals are in the financial services and ICT sectors, with an average non-DFI deal size of around USD 10 million. In addition to banks and ICT platforms, capital has been deployed in real estate and manufacturing. Matching the profile of these industries and the average size of investment, many of the businesses receiving this capital were later-stage, more mature enterprises. DFIs have been more active, closing 40 known deals in Mauritius and disbursing a total of approximately USD 600 million, of which USD 80 million was invested through funds of funds. With DFIs, too, financial services is the largest sector, comprising 25 percent of total deals to date.”* (GIIN, 2016, p.6).

Given the lack of available published data, before embarking on the research itself, we conducted a desk research to allow us to gather some information on the main components of the market and hence provide an overview of social investment landscape in Mauritius. The desk research consisted of reviewing the few available reports and data and also conducting an informal focus group discussion was conducted with some NGOs practitioners who are enrolled on a short course on Policy Advocacy at UoM. Such an interaction has assisted in identifying the key players in the market, their roles and current government interventions as well as legislation in place.

Our preliminary research revealed that as in many countries, the social investment market in Mauritius is a very fragmented one. Though the components of

a social investment market exist, the patchy approach and poorly coordinated structure represent major bottlenecks for the emergence of an efficient, sustainable and inclusive market and experiments have not yet become scalable models. Moreover, strictly speaking in Mauritius the social enterprise does not exist because the law makes no provision for this type of business. Consequently, for the purpose of this study, we will consider organizations ranging from non-profit organizations to for-profit businesses with dual profit and impact missions as social enterprises, thereby not attaching a rigid definition to social enterprises as mentioned earlier.

4.1 Investors

Funding sources are multichannel led in the market with the main investors being institutional investors (mainly as part of their corporate social responsibility (CSR) activities), Foundations and Trusts, Embassies and bilateral and multilateral donors.

In Mauritius CSR became mandatory in 2009 and as such companies have the legal obligation to contribute two percent of their profit after tax towards CSR activities. In the budget 2016/2017, a new CSR framework was announced according to which as from January 2017, businesses would be required to contribute through MRA at least 50% of their CSR money to the new National CSR Foundation and CSR activities should deal with these prioritized issues namely: poverty alleviation, educational support, social housing, family protection, support to disabled persons and health. From developing employee benefit packages, to buying materials and services from 'ethical' producers or bequeathing money to charity, businesses have adopted various approaches to CSR. One of these approaches has been for businesses to play an essential role in the creation/advancement of social enterprises through funding, gifts in kind and/or contribution to business knowhow. Some examples include AfrAsia funding of four NGOS: Fondation Joseph Lagesse, Soroptimist International, Ti Rayon Soleil and Tipa who target

less fortunate children and empower them to succeed in life through their education; State Bank of Mauritius (SBM) adopting 2 clusters of the National Empowerment Foundation (NEF) - Pamplemousses & Argy, Flacq; Veranda Paul & Virginie Hotel & Spa encouraging the education of Grand-Gaube's children by funding the salary of a teacher employed full-time for the 'Jean Eon's school, part of the Priority Education Zone; New Mauritius Hotels (NMH) investing 125 million rupees in social projects from 1999 to 2009 including transforming micro ordinary entrepreneurs into social entrepreneurs; CIEL group owner of Sun Resorts organising social tours where tourists meet social entrepreneurs and purchase from them; Airports of Mauritius Ltd (AML) purchasing honey served during its in-flight breakfast from Care-Co, an award winning social entrepreneurship organisation operating in Rodrigues (Gowreesunkur, Van Der Sterren and Seraphin, 2014).

A study by Deloitte in 2008, however reveals that most CSR activities in Mauritius are conducted on an ad hoc basis mainly because the majority of companies do not have a full fledged CSR committee or department nor have formal CSR policies. These findings were confirmed by Mauritius Employers Federation (MEF) 2011 survey which further pointed out that CSR activities are most of the time of philanthropic nature but they are limited to donations and sponsorships and their impact are neither measured nor monitored. This in turn inhibits transparency and accountability and hence may act as a hindrance to the supply of funds in the social investment market.

Foundations in Mauritius are governed by the Mauritius Foundations Act 2012 (the 'Foundations Act') and managed by the Foundation Council which carries out the objectives and purposes of a Foundation. They are in essence a hybrid of a trust and a company since they have traits of both. Several foundations have emerged in the country over the years as a vehicle for accomplishing their wealth and succession management strategies as well as their charitable objectives. Table 1 highlights the activities of some of the foundations in the social sector.

Table 1: Foundations Funding social activities

Foundation	Activities
Innodis Foundation	<p>In 2014, the Foundation allocated a sum of Rs 4,1 million to 18 NGOs and institutions, namely: Mouvement Civique de Baie du Tombeau, Centre d'Amitié Camp la Paille, Association d'Alphabétisation de Fatima, Trust Fund for Excellence in Sports (TFES), Open Mind, Caritas, Association Anou Grandi, Collège Technique St Gabriel, l'Ecole Le Flamboyant, Lois Lagesse Trust Fund, Bâtisseurs de Paix, Friends in Hope, A.R.I.S.E (L'Association pour l'Accompagnement, la Réhabilitation et l'Insertion Sociale des Enfants), Care-Co (Rodrigues), Trust Fund for Excellence in Sports (Rodrigues), Mauritian Wildlife Foundation, Magic Fingers Association, and K-Force.</p> <p>Source: http://www.innodisgroup.com/en/our-company/corporate-social-responsibility.aspx</p>
Mauritius Telecom Foundation	<p>MTF concentrates on funding major national projects promoting social and economic integration and poverty alleviation. Other CSR initiatives include support to community projects in the fields of ICT, Social Housing, Education, Health, Disabilities, Sport and the Environment. Since 2009, more than 240,000 people have benefitted directly or indirectly from the 154 projects initiated by the Foundation in Mauritius and Rodrigues. In all, the Foundation has collaborated with 95 NGOs and institutions, including 20 in Rodrigues.</p> <p>Source: http://mtfoundation.mauritiustelecom.com/about.php</p>
ENL Foundation	<p>Since its creation in 2009, the ENL Foundation has invested up to Rs 10 million, inclusive of its contribution under the CSR levy, annually in building social capital. It is active in the areas of youth development, poverty alleviation, child welfare, employee engagement as well as sports, culture and the preservation of the natural environment.</p> <p>Source: http://www.enl.mu/foundation/</p>
Beachcomber -Fondation Espoir Développement	<p>Beachcomber set up Fondation Espoir Développement (Foundation for Hope and Development, FED) in 1999 to implement the Group's social development strategies and support commitment to the surrounding communities of the Beachcomber group of hotels and the Mauritian population at large. For the period from 1999 through 2015, Beachcomber has contributed total funding worth Rs 150 million to support the activities of FED. The Foundation's priority areas are:</p> <ul style="list-style-type: none"> • Education and training; • Health, including the fight against drug abuse and disability; • Socio-economic development; and • Conservation and promotion of the natural and cultural heritage of the country. <p>Source: https://www.beachcomber-hotels.com/corporate-social-responsibility/fondation-espoir-developpement-fed</p>

Foundation	Activities
Soodursan Bhunjun Foundation	<p>Soodursan Bhunjun Foundation Group has provided housing units costing Rs 2 million overall, to 10 families living in precarious conditions at Gros Billot. S.B Foundation also accompanied these families for a period of 1 year by earmarking Rs 500,000 for the financing of children schooling, improving their standard of living and parents attending enlightenment courses. Bhunjun Group has also decided to increase its CSR contribution from 2 to 3% to show our willingness and compassion towards the needy of this country.</p> <p>Source : https://www.bhunjungroup.com/sbf-futureprojects.html</p>
Joseph Lagesse Foundation	<p>The Joseph Lagesse Foundation has chosen education, community development, the environmental and health as its main areas of focus. The Foundation's integrated community development programme currently manages two projects: Chemin Rail and Bois Marchand Mo Lendrwa (Rail Road and Bois Marchand, My Neighbourhood). Both programmes are based on field work collaborating with local social partners to improve the living conditions of the inhabitants. It is an integrated project which encompasses psychological support, training and education, life skills, entrepreneurship, rehousing and health issues.</p> <p>Source : https://www.iblgroup.com/en/joseph-lagesse-foundation.html</p>
Ceridian Payback Foundation	<p>Since its creation, Ceridian Payback Foundation has provided support to over 1,000 needy children either directly or in partnership with organizations dedicated to helping children. This support includes the provision of electric wheel chairs, hearing aids and other equipment. It also provides grants for to help children with special education needs.</p> <p>Source: http://www.ceridian.mu/payback-foundation-csr/</p>
Omnicanne Foundation	<p>The main projects of Omnicanne Foundation in recent years included: Social Housing, Support to Type 1 Diabetics, Beach clean-up, Free kindergarten for vulnerable children, Adult literacy courses and IT Training.</p> <p>Source: http://www.omnicanne.com/omnicanne-foundation</p>
MCB Foundation	<p>The foundation has till date disbursed funds in the following areas:</p> <ul style="list-style-type: none"> • Absolute Poverty and Community Empowerment- Rs 6.5m, 17 projects, 6000 beneficiaries, • Socioeconomic development, Rs 17.4m, 34 projects, 5000 beneficiaries, • Welfare of children, Rs 12.9m, 22 projects, 2000 beneficiaries, • Health, Rs 0.674m ,2 projects, 1000 beneficiaries. <p>Source: http://www.mcbforwardfoundation.org/en/our-services/projects/</p>

Foundation	Activities
Foundation Constance	<p>Its mission is to contribute towards the wellbeing and development of the community through specific and targeted projects. The foundation empowers the local community through various programmes including Adult Literacy, Employability through Training and Development programmes at Constance Hospitality Training Centre.</p> <p>Source: http://www.constanceacademy.com/mod/page/view.php?id=13</p>
E-Inclusion Foundation	<p>This foundation by Leal Group works in close relationship with the private sector to expand the IT penetration in Mauritius, to empower the population and fight poverty. The targets of this Foundation is to improve the management abilities of NGO's and to disseminate the IT knowledge to the most vulnerable groups.</p> <p>Source: http://www.lealgroup.com/corporate_social_responsibility.aspx</p>

Other investors/funders in the market include embassies and multilateral donors. For instance, under its Special Self Help Programme the U.S. embassy allocates resources on a yearly basis to Mauritian non-governmental organizations and community groups for projects that improve socioeconomic conditions and benefit the community at the grassroots level. Another example includes the Direct Aid Programme (DAP) of the Australian High Commission, which offers grants to assist community organisations working in fields such as poverty alleviation, education, sanitation, health, human rights, rural development and conservation (<http://mauritius.embassy.gov.au/>).

Furthermore, bilateral and multilateral donors mainly in the form of Development Finance Institutions DFIs are other sources of funding. These originate either from the foreign offices of the developed countries or from the multilateral organizations set up by different countries to extend international support for alleviating poverty and reducing the socio-economic gap between the developed and the developing countries. In Mauritius examples of such donors include the Decentralised Cooperation Programme of the EU, World Bank, Indian Ocean Commission, Global Environment Facility, UNDP, Agence Francaise de Development among others.

Recently, a new source of funding has emerged in the country, namely crowdfunding also known as participatory financing, which aims at bringing

individuals and charities together to raise funds for their projects. The first social crowdfunding platform, Small Step Matters, was launched in 2016. This alternative to traditional financing methods allows a large number of people to donate small amounts for projects they care about, via the Internet.

4.2 Investees

As mentioned earlier, in Mauritius the social enterprise does not exist because the law makes no provision for this type of business and as such for the purpose of this study, we will go according to the work Darko and Koranteng (2015) so that the investees in the market will consist of organizations ranging from non-profit organizations to for-profit businesses with dual profit and impact missions as social enterprises. In Mauritius the activities of the social enterprises cover a wide array of spectrum ranging from poverty alleviation, protection of human rights, empowerment of women, promotion of arts and culture, protection of environment, educating and training people to fighting inequality and discrimination against the disabled. These organisations come in a variety of different legal forms (e.g. private, public, non-profit) and seek capital for the following reasons: as working capital to help with cash flow management; as development capital to scale; to acquire the fixed assets necessary to deliver ongoing services and as reserves or insurance to hedge against the unexpected. The mostly known social enterprises are undoubtedly the

NGOs. Though over the years the latter have acquired the necessary skills to carry out their various philanthropic projects in the social sector, professionally, they still depend mostly on CSR funds of companies, grants, donations and government funds or traditional financial products (such as bank loans) as source of revenue. However, some NGOs have also managed to generate income through the sale of their products /services as illustrated in Box 1 and a few have even reached the international market.

4.3 Intermediaries

Intermediaries are expected to link demand side of the market with the supply side by attracting money from different investor groups and assisting socially-motivated organisations obtain funding. Their support is also sought in acquiring management know-how and professional contacts to help social enterprises develop successfully. The main intermediaries in the Mauritian social investment market include the social banks like the Development Bank of Mauritius (DBM), Maubank; the National CSR Committee, MACOSS,

the Stock Exchange of Mauritius through its Impact Exchange initiative in collaboration with Nexii and fund managers. Table 2 highlights some of the main intermediaries and their roles in the market .

4.4 Role of Government and Legislation

The current vision of the government is to transform Mauritius into a high income, inclusive and sustainable economy with the ultimate purpose of better serving the people, ensuring their well-being and further improving their quality of life. As such social entrepreneurship is highly placed on government's agenda as a tool towards empowering the civil society to enhance quality of life. For instance, the main focus of the National NGO Policy Paper presented in 2012, lies in the "adoption of the concepts of "social entrepreneurship" and "social marketing" and the idea to promote a shift in the NGO sector towards "sustainability, autonomy and effective service delivery to vulnerable groups" and hence loosen the dependence of NGOs on the requirements of traditional funds providers (Costantini and Gill, 2013, p.19). To promote the trend towards social

BOX 1:

- Groupe Elan with the project "Economic empowerment and reinsertion of a specific segment of vulnerable people, their dependents and families", aims at enhancing the employability of ex-detainees, ex-drug addicts, people living with HIV/AIDS and ex-inmates of Correctional Youth Centre (CYC) and Rehabilitation Youth Center (RYC). This NGO also generates revenue through the sale of its agricultural products which are produced through bio-farming in an Integrated Agricultural Farm by the above mentioned vulnerable groups of people.
- Craft Aid (Mauritius) is an NGO dedicated to providing provide paid employment to the disabled and rehabilitate them in the society. It is involved in the packaging of sugar and vanilla and also in the production of a wide range of products such as textile products, greeting cards, photo albums and bookmarks. All its products are exclusively for exportation. The NGO has also a branch in Rodrigues where it has trained disabled people to become practical beekeepers and has set up a network of community producers. The honey produced is meant for selected overseas markets.
- ADEDED (Association Pour l'Education des Enfants Defavorises) which provided free education to disadvantaged children, produces a collection of 19 herbal teas prepared by the mothers of these disadvantaged children, from medicinal plants planted on the roof of the pre-primary school. The herbal teas are sold to countries like China, France, Reunion Island, Madagascar and India. This NGO also won the Gold Award at Enterprise Mauritius' 2013 Exporters Award, in the "First-Time Exporters Award" category.
- ELI Africa engages in educational projects for underprivileged children by utilizing experiential, hands-on learning. Part of their income is generated from the sale of decorative plants and endemic trees.

Table 2: Intermediaries and their Roles

MauBank acts as facilitator to potential entrepreneurs in providing funding facilities to help them start a business while at the same empowering more citizens to become entrepreneurs.
The Stock Exchange of Mauritius in collaboration with Nexii, initiated the Impact Exchange which listed out the rules that would cater towards impact investment opportunities. Impact Exchange aims at becoming a platform for the public to invest in and trade shares of social enterprises while assuring mission alignment to social and/or environmental impact.
The National CSR Committee is to act as an advisor, a facilitator and an intermediary between Non-Governmental Organisations (NGOs) and the public and private sector. Every year they organize the CSR Connect event where major Mauritian companies meet with NGOs and foundations to analyse the social projects that require funding.
MACOSS aims at strengthening its members by initiating communication and collaboration and networking among NGOs and between NGOs and Government and the private sector primarily through meetings, workshops, consultations and institutional development activities. MACOSS also facilitates its member organisations and strengthens their organisational capacity.
The Health Business Coalition (HBC) is a network of more than 20 private sector companies and NGOs which attempts to facilitate the connection between NGOs and government public health.
MCB Group launched MCB Microfinance Ltd, a subsidiary dedicated to micro/small entrepreneurs and self-employed people. MCB Microfinance grants them unsecured loans ranging from Rs 20,000 to Rs 600,000 in order to help them grow their business activity.

entrepreneurship government has i) set up an “NGO Trust Fund” providing annual grants; ii) created a “Non-State Actors Unit” to take up volunteer development programmes; and iii) came up with a “Corporate Social Responsibility” (CSR) framework with the aim of ensuring more transparency and better outcomes in the implementation of CSR programmes. However it must be noted that no clear definition of the concept of “social entrepreneurship” is given in the NGO policy paper. In addition it must be noted that though today NGOs are well equipped in terms of ICT and social networks have become the main means of communication with virtual meetings being held through the web, the law still calls the publication of notices in newspapers for each

scheduled meeting and hence does not encourage innovation within the social sector. Moreover, there are three lines of reporting for the same project, by the same NGO, to three different organisations, a process which has a cost and represents a waste of time and of human resources (Costantini and Gill, 2013). This will definitely be a hindrance to the promotion of social entrepreneurship in the country.

As far as training is concerned it must be noted that a number of new initiatives in skills training and social entrepreneurship have been implemented in 2014 such as innovative handicraft products and articles made from recycled items for women entrepreneurs registered with the National Women Entrepreneur

Council (NWECC) and trade fairs have been organized on a regional basis to enable women entrepreneurs to meet potential buyers, contract orders as well as create opportunities for those facing marketing problems. Moreover, in 2016, training Workshops on Social Entrepreneurship have been organised by the Ministry of Social Security, National Solidarity and Reform Institutions in collaboration with the Decentralised Cooperation Programme (DCP), to empower NGOs.

5.0 Methodology

Social investment is a multi-stakeholder issue as it engages civil society, governments, businesses, advisors, international funders among others and hence for it to reach its promise, it must be contemplated from the perspective of all stakeholders. Recognising the importance of the viewpoint of various stakeholders to provide a holistic view of the social investment market in Mauritius, this study uses a combination of different types and sources of data and as such two types of survey were undertaken (face to face in-depth interviews using semi-structured questionnaires and phone survey as it was the most convenient and cost effective way of reaching a maximum number of stakeholders) plus a focus group discussion with MACOSS registered NGOs in addition to the informal one undertaken before to write up Section 3 above. Three types of stakeholders were earmarked for the survey namely social enterprises, investors and intermediaries.

As stated before in Mauritius the law makes no provision for social enterprises, hence identifying entities to survey was a significant challenge. As a starting point, existing databases of associations registered with the Registrar of Associations, small and medium sized enterprises (SMEs, given that most small and micro enterprises are not officially registered)) and NGOs (mainly from MACOSS) were used where they were available. This was followed by engagement with key stakeholders to access their networks and portfolios. To capture only social

enterprises the decision of excluding an enterprise from the survey was based on four criteria:

- Organisations whose core mission is 'profit first' were eliminated;
- Organisations whose income source mainly (75-100%) emanate from grants were eliminated;
- Organisations which were sharing profits with owners and shareholders were eliminated ONLY IF their core mission is "profit first".
- Political parties, Trade Unions and Religious Administrative units were eliminated.

As we wanted to reach as many organizations that were meeting the above set criteria and have used networks, membership and stakeholder portfolios for outreach, our sample was non-scientific and non-randomised. However, to minimize the risk of under coverage of the phenomena of interest, direct and indirect contacts have been activated in order to properly weight the sample. Hence though the survey is an indication of social enterprise activity and is not a representative sample of such activity (30/128 = 23%) and this study does not describe the full scope of social enterprises in Mauritius with accuracy, this research work is a first move towards better comprehending the social enterprise activity in the island.

To capture the supply and intermediation sides of the market, we made use of a qualitative approach namely, in depth interviews with some of the main stakeholders. The interviews were audio recorded with the consent of the interviewees and the content was then analyzed, cross-validated and interpreted to report and critically analyze the findings of this study. Coupled to the interviews, a focus group discussion was held with MACOSS registered NGOs to augment research validity. Table 3 provides details on the stakeholders surveyed.

Table 3: Stakeholders Surveyed

	Targeted social area	Population	Sample	
Social Enterprises	Poverty	18	4	Administered Questionnaires through face to face, email, and phone.
	Health	14	3	
	Elderly	9	2	
	Education	13	3	
	Children and Youth	13	3	
	Human Rights	10	2	
	Environment	20	4	
	Women	15	3	
	Community Development	14	3	
	Disability	13	3	
	Total	139	30	
Investors (Total)			8	In-depth Interviews
Intermediaries (Total)			10	In-depth Interviews

¹ Some social enterprises are engaged in more than one area but we have focused on their core area

² Population refers to the total number of firms in each social area, satisfying the three criteria above. It must be noted that out of the 139 social enterprises around 11 went bankrupt, were liquidated or inactive so that the effective population size was 128 instead of 139

It must be noted that though the research is limited in size and scope by the number of the interviewee responses, it attempts at providing an important first sample pool which can form an initial database to facilitate more scientific sample selection in the future. It must further be noted the response rate for both the survey and interviews was 100% though in the case of the survey questionnaire³ distributed to the social enterprises via email, 3 respondents partially completed the survey, stopping at the open ended-questions. In the case of the investors and intermediaries face-to-face interviews were conducted.

social enterprises it must be noted that the majority (61%) of those who are registered with MACOSS are degree holders while the rest hold at least an “O level” certificate. When asked about whether their mission is the provision of social goods and/or services or working towards social and work integration, 40% mentioned both as missions, 32 % only social and work integration and 18% only social and work integration for vulnerable people.

6.0 Research Findings

6.1 Demand side- Social Enterprises

All social enterprises (as per our definition) surveyed have been in operation for at least 6 years (with 33% being in existence for approximately 50 years) as shown in Figure 2 and the majority of them (72%) stated as having more than one core function/ area of intervention. As far as the education level of owners of

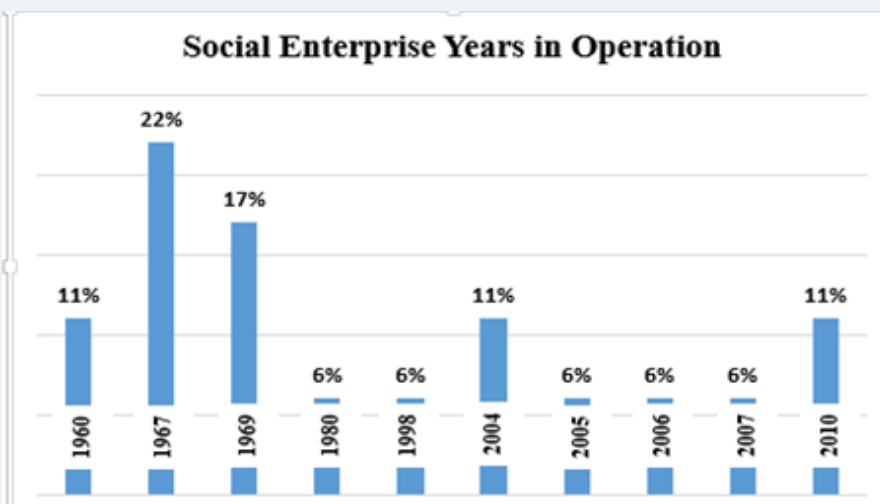


Figure 2: Years of Operation of Social Enterprises

³ A copy of the questionnaire distributed to social enterprises is found in appendix A1.

Regarding the term “social entrepreneurship” there was some confusion among the respondents as for some it meant sacrificing social outcomes to enjoy financial returns, for others it refers to targeting superior social performance which has a saleable value while the rest view it as simultaneously having a social and financial impact. This in turn impacted on their responses to the question “to what extent would your enterprise be willing to consider social entrepreneurship as a mean to expand your business and its impact?” Only 56% replied willing or very willing. Alongside 42% feared that the term entrepreneurship and mixing social with financial impact may lead to mission drift.

The findings further reveal that debt financing was not a major source of finance and they prefer government grant. This is consistent with the work of Sunley and Pinch (2012) who stated that many social enterprises continued to depend on public sector grants and were vigilant about taking on debt.

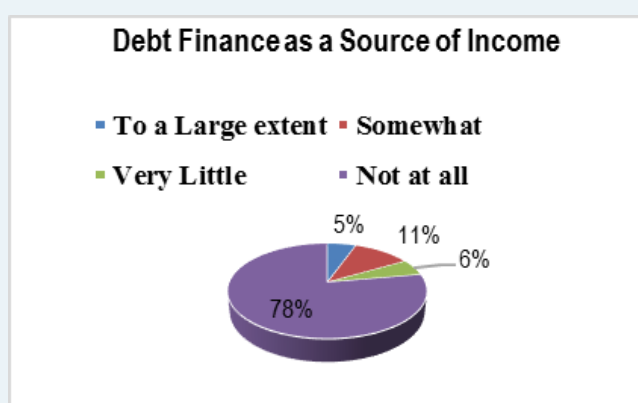


Figure 3: Source of Revenue: Debt Finance

Referring to challenges the demand side of the market is likely to face or currently facing, the main ones that emerged out of the responses include access to finance (67%), sales and marketing (47%) and human resources (33%). Access to credit turns out to be a hurdle as in general traditional financial institutions decline lending to social enterprises since they do not meet their requirements and are not seen as offering adequate guarantees. However in recent years there has been a slight improvement in this area with for instance the coming up of MCB Microfinance which grants unsecured loans ranging

from Rs 20,000 to Rs 600,000 to micro entrepreneurs for expanding their business. Moreover traditional investors (mainly institutional ones) prefer to finance through the mainstream markets given it is easier, transparent, more straightforward and rewarding financially. As far as funding organizations are concerned, their calls for proposals have stringent conditions are tied with stringent conditions and bureaucratic obstacles which favour those enterprises which have skilled human resources, financial and technical resources to better respond to such calls at the detriment of vulnerable grassroots community-based organizations and inhibits inclusion. With regards to sales and marketing and challenges respondents expressed interest in receiving technical assistance, training and mentorship in this field to assist them in trading their goods/services both on the local and international market so that they can become more independent as one of them mentioned “we don’t want to depend solely on grants or fundraising, but rather want to sell our products and remain independent as far as possible”. The participants from the focus group discussion even indicated a welcome attitude toward competition with private sector firms and said in unanimity “bring it on.”

Human resources tend to be a challenge mainly when it comes to writing up projects and business plan to secure funding as illustrated in Figure 4 . Only around 30% of the enterprises have staff who possess multidisciplinary skills and capacities, which are vital assets in matching funding requirements with operational objectives.

According to the survey respondents as well as the participants of the focus group discussion, there are too many small intermediaries in the market who most of the time, act on a voluntary basis, usually implying lack of professionals. It would bring more value to merge them into a smaller number of organizations which are more focused, with a common vision of enhancing social enterprise as a viable alternative business model. It is further suggested that the intermediaries should:

- i) use champions from the social enterprise sector in order to lobby public sector partners regarding procurement;
- ii) convince private sector to think beyond financial returns and create a platform for networking with the business community;
- iii) encourage local authorities to appreciate the benefits generated by social enterprises to their communities;
- iii) tailor support to the needs of the social enterprises, rather than accepting what organisations want to offer and
- iv) provide assistance on dissemination of information regarding funding opportunities.

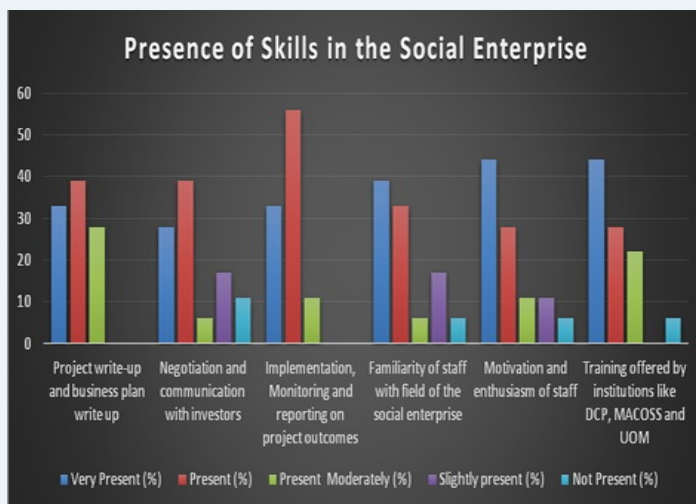


Figure 4: Skills of Staff

To further exploit the data collected through the survey, the following hypotheses were tested:

H1: Network Partnership increases the performance⁴ of social enterprises:

H1a: Partnership with government increases the performance of social enterprises.

H1b: Partnership with intermediaries increases the performance of social enterprises.

H1c: Partnership with for-profit firms increases the performance of social enterprises.

H2: Functional Partnership increases the performance of social enterprises:

H2a: Financial support from institutions increases the performance of social enterprises.

H2b: Managerial and Consulting support from institutions increases the performance of social enterprises.

H2c: Marketing support from institutions increases the performance of social enterprises.

Table 4: Reject/Do not Reject Tested Hypothesis

Hypothesis	Decision	P value	Implications
H1a	Not Reject	$p > 0.05$	Objectives of government is to maximize social welfare and hence coincide with the social goals of the social enterprises and reinforce actions to meet these related goals
H1b	Reject	$p < 0.05$	Too many intermediaries in the market which inhibit them in conducting their roles efficiently.
H1c	Reject	$p < 0.01$	Businesses are mostly motivated by profits and hence in their partnerships with social enterprises they may be more focused on financial returns.
H2a	Not Reject	$p > 0.05$	Any form of functional support to social enterprises helps them in improving their performance given the infancy stage of the market. Even for-profit businesses provide effective support as part of their strategy of increasing their visibility or their CSR commitment.
H2b	Not Reject	$p > 0.05$	
H2c	Not Reject	$p > 0.05$	

⁴ The performance of each social enterprise was calculated by averaging the scores obtained for the 3 performance indicators listed in question CIII of the questionnaire.

Moreover, irrespective of the level of education of the respondents, they consider the contribution of the private sector and the marketing approach used as major drivers of an enabling environment for social investment market. However the majority (80% and above) of those who have studies beyond secondary level perceive all the factors listed in Table 5 as being major contributors to an enabling environment for

social investment in Mauritius, implying that they recognize the fact that a sole policy would not work but rather a set of complementary policies and various actors need to work together to make the market flourish.

Table 5: Cross Tabulation: Education level/ Enabling environment - % strongly agree or agree

<div>Level of education</div> <div>Enabling environment</div>	'O Level' (%)	'A Level' (%)	Holding a certificate/diploma/degree (%)
Tax	25	40	80
Legal advice from Government and public institutions	10	30	95
The contribution of the private sector	50	21	92
The contribution of Accounting firms in providing advice on management of funds and financial reporting	25	50	88
The Infrastructure	10	20	93
Information dissemination	13	25	90
Technological interface	13	25	96
Entrepreneurial skills of staff	13	38	86
Marketing Approach	14	21	91

Table 6: Cross Tabulation: Obstacles in obtaining finance/skills of staff- very present or present

Obstacles in obtaining finance \ Skills of staff	Project write- up	Negotiation & Communication	Implementation, Monitoring & Reporting	Familiarity of staff with the field of social enterprise	Motivation & enthusiasm	Training
Loan procedures	53	52	47	48	63	68
Insufficient guarantee	52	51	40	56	63	55
Conditional ties imposed by investors	39	38	40	28	43	35
Political influence and interference	50	31	30	38	43	33
Investors' prejudices	66	51	36	36	35	23
Competition among social enterprises	39	43	27	18	23	47
Type of networking	23	32	30	23	30	43
Inadequate Awareness on Available Opportunities	37	26	20	24	30	63
Inadequate Strategic and Operational Plans	52	40	36	41	36	76
Accountability and Transparency	53	26	27	56	55	55

The data on factors acting as obstacles in having access to finance when cross tabulated against the skills the staff of social enterprises possess, uncovers that those enterprises whose staff were familiar with the wheels and engine required to drive a social enterprise, faced the least obstacles in obtaining finance be it in term of loan procedures, conditions imposed by investors, competition among social enterprises or information on available opportunities. Another skill which proved to assist in better accessing finance is implementation, monitoring and reporting skills as they enhance transparency and accountability and hence the creditworthiness of the enterprises concerned.

When questioned about the role of the government, respondents claim that there is a need for ensuring that the yearn to care for others is inculcated in the younger generation since primary schooling itself by introducing social entrepreneurship in the curriculum rather than just entrepreneurship. Social enterprises should be given their due value rather than considered as just an add-on to the voluntary sector. Moreover they express the need for making procurement from social enterprises a statutory requirement on central government and local authorities as well as simplifying grant application processes so that they do not mimic a tendering process. The interviewees nevertheless also acknowledge that social enterprises also have certain responsibilities to fulfill if they want the market to prosper. Out of the suggestions made, the main common ones include learning from the drive and ambition of the private sector; networking, sharing skills and advice and trading among themselves; using media and other sources of communication to make the sector and its impacts more visible; devising social impact measures and enhancing transparency and accountability to improve their creditworthiness.

6.2 Supply Side - Investors

On the supply side of the market, our findings disclose that again there is an uncertainty regarding the term social investment as some interviewed investors (mainly mainstream ones) perceive it being

same as responsible or sustainable investment which in reality is not true. According to the interviewees the first constraint preventing mainstream or institutional investors to venture into the market is the high expectation regarding financial returns which the market cannot fulfill given the early and immature stage of its ecosystem. They further state that social enterprises they want to fund, have limited track record and cannot produce the data needed to assess an investment opportunity. This in turn makes investors apprehensive to provide finance to them. One of the respondents even declared that:

'deals in the social sector tends to be small and the time taken for due diligence for a small investment (<Rs 5m) is the same as that required for larger investment. Hence we prefer to use our funds on larger deals and enjoy economies of scale.'

Another major obstacle which is related to lack of data issue, is lack of agreed-upon and standard measures and indicators of social outcomes which render evaluation and monitoring of social investment difficult. This finding is in line with the work of Jackson and Associates (2012) who declare that metrics for social outcomes are important for investors to better understand and trust the market. As a remedy to this hurdle, one interviewee proposed public-private partnerships as a solution as she stated that:

"Long-term commitment is needed for measurement of social outcomes which may not fall within the investment horizon of private sector while on the other hand government is accountable for long-term societal benefits. As such public-private partnership may be the appropriate structure to use with private sector providing finance and government producing indicators of social outcomes."

Moreover, the responses reveal that many social enterprises (mainly micro ones which are more in need of funding) are not members of professional associations like MACOSS or other formal networks and this makes it hard for investors to reach them. On another point some investors even claim that the best

suited investors for this sector are high-net-worth individuals and/or families as they often have a high level of discretion, more autonomy and fewer stakeholders to deal with when making investment decisions.

When it comes to the role of the government in boosting the social investment market, the common perceptions were as follows. It should :

- i) provide incentives to investors such as tax rebates/relief to favour social investments over standard commercial deals;
- ii) come up with a legal form for social enterprises;
- iii) revise regulations and making them more conducive to direct more capital into the social sector;
- iv) encourage and assist social enterprises in generating data and indicators of social outcomes (as suggested by the work of Addis et al, 2013);
- v) be more cautious while devising broader policy instruments which can indirectly impact the social investment market.

For the investors effective intermediaries are those who assist in reducing risks, transaction and information costs and in articulating optimal pairings of investors and investees through investment platforms. However according to them, this is not the case in Mauritius and the key obstacle is that there is growing number of intermediaries, particularly recruited by public funding organizations, without adequate field based capacities. The lack of experience and generally weak understanding of the business models of social sector organisations further aggravate access to social funding from the demand side. They have not succeeded in facilitating social funding flows to poorer segments at the base of the pyramid, hence leaving needs of the real beneficiaries unattended.

The rising GINI coefficient and the critical gap between the upper and lower segments of the Mauritian society, are yet other indications that the local social investment market is not performing efficiently and cost effectively. To improve the role of intermediaries in the market, the

core suggestions made are as follows:

- i) intermediaries must generate standard social and environmental metrics;
- ii) they should build networks and platforms for better communication between the demand and supply sides of the market such as the Impact Exchange of the Stock Exchange of Mauritius;
- iii) intermediaries in the form of accelerators must help start-up enterprises through seed capital, mentorship, incubation and technical assistance.

For social enterprises, the interviewees preach that they should be strategically positioned to motivate investors and financial institutions to engage in social investing and need a local champion to guide, advice and motivate them. Regarding instruments one interviewee points out that:

“we are hearing a lot about social impact bonds and how it can generate cash flow. However these instruments to work successfully they require a sophisticated and stable legal framework over a long time frame, which unfortunately the social investment market does not possess given its embryonic stage.”

6.3 Intermediaries

The intermediaries we interviewed were not that talkative and we had difficulty in making them providing more detailed answers to our questions. Nevertheless the paragraphs below report the information we managed to extract from them.

As regards to their role in the market, the interviewed intermediaries assert that their role is very important in supporting projects that are in line with their area of intervention. For instance one of them states that :

“..through past experiences, it is noted that NGOs could produce goods of good quality with motivated and professional staff however they lack the know-how to market and sell their products. Thus intermediaries can contribute to the distribution of goods through different channels and make the products known and available to the general public.”

Some even mention that they just do not help in producing a business plan and facilitating access to funding but rather help to make a social initiative become a business and generate funds for the operations of the social enterprise and this is a long term process and the time taken for the business to take off depends on a case to case basis. To better fulfill their function in the market they suggest the following:

- i) more synergy among the intermediaries operating in the market in order to avoid duplication and misuse of resources as in Mauritius, the social field is fragmented;
- ii) a need for do hand-holding with NGOs over a period of time in order for transfer of knowledge to take place;
- iii) to have some mentors in specific fields such as book-keeping, management and marketing strategies; iv) to encourage a constant learning mode environment while making use of new technologies such as mobile phones and internet among others;
- iv) trained staff in NGOs whose main responsibilities will be only on the social enterprise business and not to fulfill the NGO's mandate and other obligations.

One of the interviewees declares that the infrastructure which can assist existing NGOs in their transition towards being social entrepreneurs is:

'.... the setting up of a fund where investments and grants will be provided to NGOs. It should be a "one – stop shop" also where all services including training and mentoring, tools and products (including what are mentioned above) are provided in one place.'

With respect to investors, they indicate that the Mauritian diaspora can be a targeted class of investors in the social sector as the latter have long had close personal links to the country, have a desire to contribute to the economic development of the island. For the government they prescribe the following measures:

- i) introduce a Social Investment Policy with respect to the new CSR Foundation to access funding;
- ii) encourage foreign investors to promote social entrepreneurship in Mauritius (Jaipur foot is an example from Rainbow Foundation in Mauritius. Similar experiences in other field should be replicated);
- iii) provide tax relief for social investment;
- iv) create a Social Entrepreneurship Fund;
- v) encourage Banks to provide Social Entrepreneurship Loan;
- vi) organise an information campaign on the subject (public and with all stakeholders);
- vii) undertake an in-depth research with the NGO sector in order to identify possibilities and areas of interests;
- viii) set a committee to work on the legal, political and regulatory framework and
- ix) to devise policies and to have qualified, trained staff to provide such services.

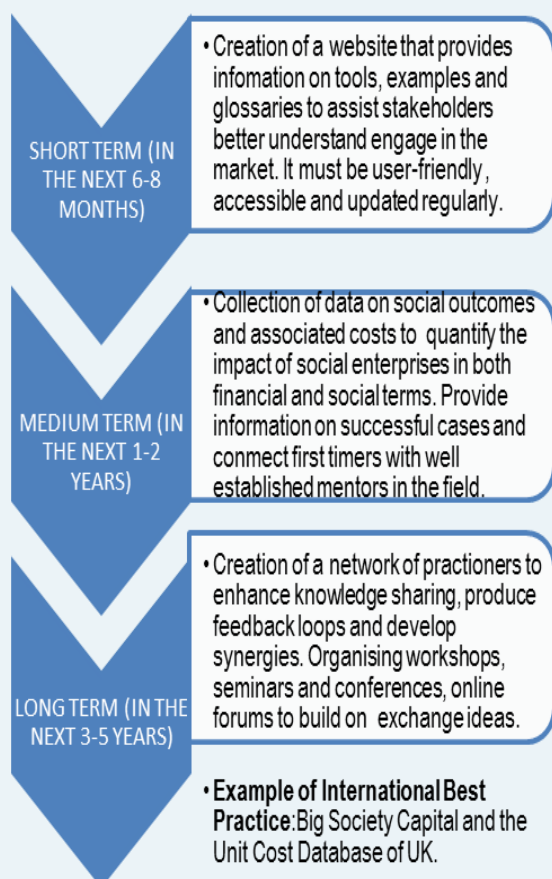
Most of the intermediaries we have interviewed consider the future of the social investment market to be bright in the country. They mention that as the Government of Mauritius aspires to be a net-contributing country and that funding from International Organisations will become lesser, NGOs have to find other means of funding rather than relying on Government or CSRs' contributions and social entrepreneurship/investment might be one solution. However adequate infrastructure, services, quality assurance measures, gradual change of mind-set and appropriate policies have to be in place in order to create the enabling environment. They further indicate that in the long run it may be useful to include the products produced by social enterprises under the label "produire et consommer mauricien" or create a separate label for them such as 'pour un commerce equitable'.

7.0 Recommendations and Conclusion

This section of the paper highlights some policy recommendations based on the research findings of this study.

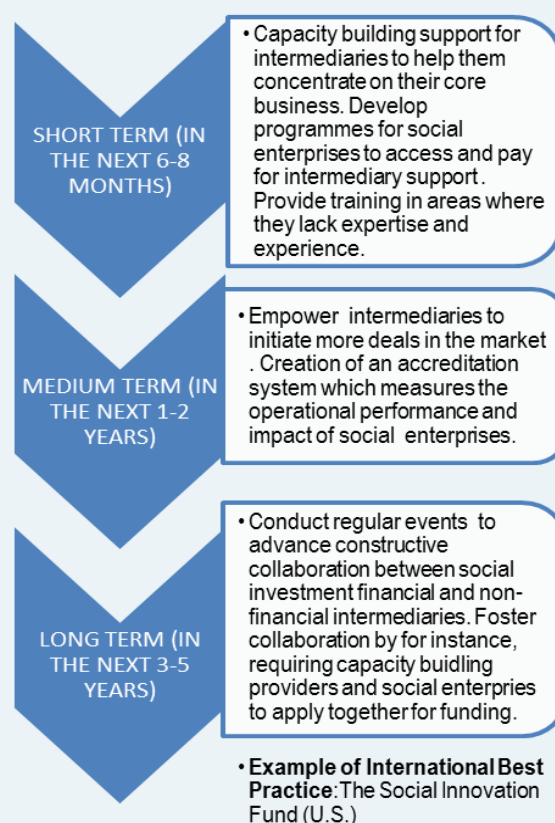
Awareness and Access to Reliable Information

As stated by many participants, collection and generation of data on social outcomes is critical for the growth of social investment. Efforts in this field should be made jointly by all actors in the market in order for social enterprises to get more visibility, for investors to better know which projects to fund, for intermediaries to improve its support and provide better offer of investment products and for policy makers which social investment model is working better and hence need to be more supported and encouraged. Nevertheless, one should be cautious as data collection should not become an end in itself and hence at the very starting point the objectives of collecting the data should be set out clearly. Moreover, to deal with the issue of resource constraint, stakeholders can use technology (remote sensors), live data and even story telling as methods of data collection.



Capacity Building and Training

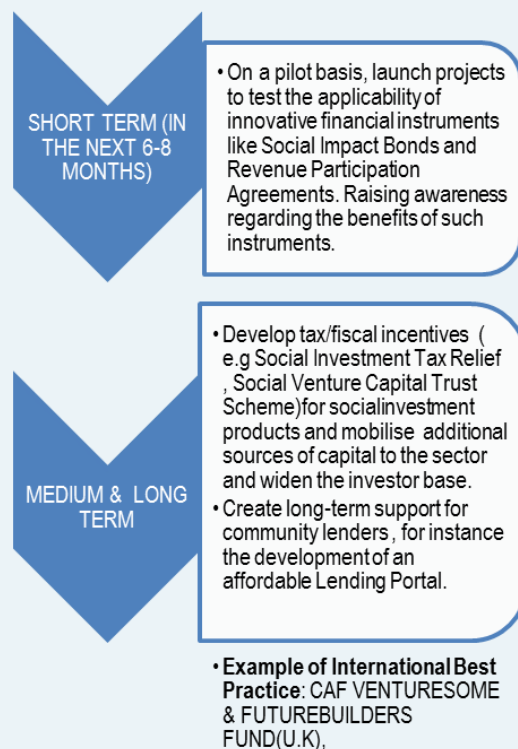
Though some short training courses in social entrepreneurship are being provided and funded by International Organisations such as UNEP, EU and GEF programmes, the generic and specific skill sets demanded by social enterprises, both by managers and by the workforce, necessitate identification and appropriate provision made. Therefore, it is vital to spot what skills are needed within social enterprises, what barriers exist to the development of these skills, and how they can be overcome. For instance, one area where training is needed is sales and marketing to enable social enterprises to access markets, including procurement opportunities. Moreover they can be trained to differentiate their products/services and carve out a unique competitive differentiation in their respective markets so that they do not “compete” in similar sectors or geographies. In brief capacity building should aim at enhancing both investment and impact readiness.



Financial and Fiscal Instruments

Having access to funds is decisive for the creation and expansion of social enterprises. It is important to devise an array of innovative financing mechanisms to support them. A financing tool which can work is revenue-sharing agreement which is more appealing than equity capital and debt capital as they do not involve fixed costs nor require a liquidity event. Alongside as early-stage risk capital is needed for the business model to expand and be better placed for larger investments, philanthropists and foundations can assist in providing anchor investments and even guarantees to lower risks for novel social investment products and funds. Moreover, an affordable Lending Portal could be introduced, which could be based on a partnership between private and social sector organisations, and aim to make it easier for social enterprises to access affordable loans from credit unions and community development finance institutions.

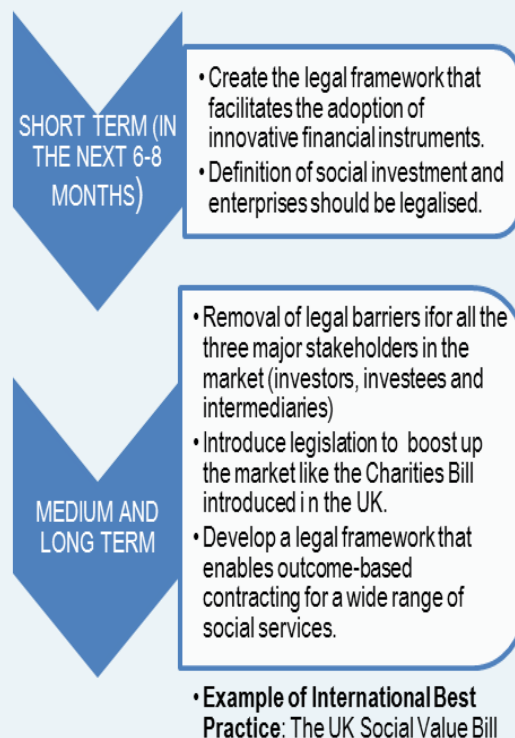
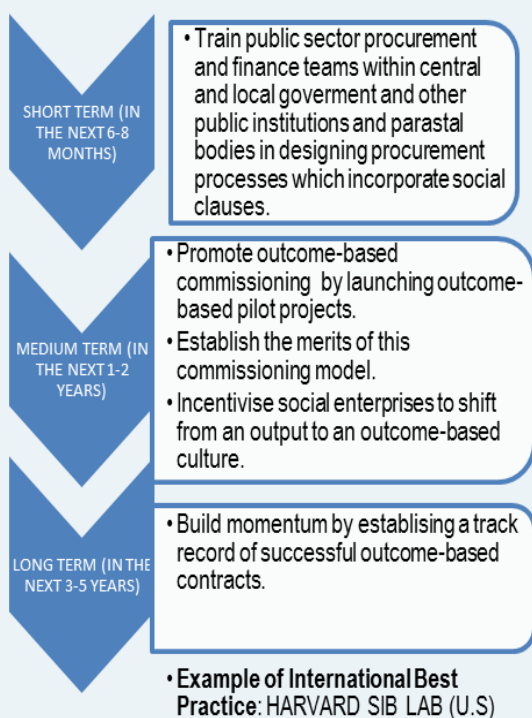
Furthermore, as many participants have pointed out, a tax incentive can motivate many investors to be committed to social investment. The question that arises is how to use tax incentives to enhance the market. One proposed solution is to introduce a Social Investment Tax Relief (SITR) like the one in the UK, according to which individuals making an eligible investment can deduct of the cost of their investment from their income tax liability, either for the tax year in which the investment is made or the previous tax year (if 2014/15 or later). The investment is held for a minimum period of 3 years for the relief to be retained. Another incentive could be a Social Venture Capital Trust Scheme aiming to encourage investment in companies that invest in social organisations by offering 30% tax relief on investments, same as in the UK.



Public Sector Procurement

In practice, little has been done to incorporate certain social clauses in the terms of reference and procurement procedures of central government, local government authorities and other public sector institutions. It often seems that mainly public officials in local authorities are uncertain as how to insert social clauses in their procurement, and are often not well acquainted with the benefits that social enterprise can bring to their respective communities. On the other hand, social enterprises mainly micro-ones lack the skills, time and resources required to successfully compete in public bids.

Fostering understanding and capacity both amongst local officials and social enterprises is hence critical if public procurement is to be effectively used to encourage the growth of the social investment market.



Legislation

Authorities should explore how to make it easier for investors to engage in social investment. Legislation could be introduced such as that currently in the UK, the Charities (Protection and Social Investment) Bill. This will make it easier for charities to make social investments and social investment should be defined in law. Government also needs to work on investment regulations and guidance that relate to social investments by institutional investors.

As a concluding remark it must be noted that given the social investment market is still at its embryonic stage in Mauritius, many of the obstacles mentioned by the social enterprises, investors and intermediaries interviewed will dissipate and become less constraining over time as the market matures. However until then, a degree of commitment is required from the different stakeholders to work together and build critical mass by developing the market, tools and practice.

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A PROFILE OF SOCIAL ENTERPRISE

AI CATEGORY OF SOCIAL ENTERPRISE

- ☐ MACOSS Registered
- ☐ Not registered with MACOSS
- ☐ Foundations
- ☐ Others :

AII CORE ACTIVITY OF THE SOCIAL ENTERPRISE

- | | |
|---|--|
| <input type="checkbox"/> Poverty | <input type="checkbox"/> Environment |
| <input type="checkbox"/> Health | <input type="checkbox"/> Women |
| <input type="checkbox"/> Elderly | <input type="checkbox"/> Community Development |
| <input type="checkbox"/> Education | <input type="checkbox"/> Disability |
| <input type="checkbox"/> Children & Youth | |
| <input type="checkbox"/> Human Rights | |

AIII YEAR OF FOUNDATION OF THE SOCIAL ENTERPRISE:

AIV RESPONDENT's CURRENT POSITION:

Top Management level ☐

Middle Management level ☐

Other, please specify

AV LEVEL OF EDUCATION ATTAINED BY THE RESPONDENT

Up to CPE Level ☐

Up to 'O' Level ☐

Up to 'A' level ☐

Up to undergraduate level ☐

Other, please specify

AVI REGION OF OPERATION OF THE SOCIAL ENTERPRISE:

AVII TARGETED BENEFICIARIES OF THE SOCIAL ENTERPRISE:

.....

B	FINANCE OF SOCIAL ENTERPRISE
----------	-------------------------------------

BI	SOURCE(S) OF FINANCE?
-----------	------------------------------

- ☐ Loan
- ☐ Grant
- ☐ Overdraft
- ☐ Leasing
- ☐ Mortgage
- ☐ Equity
- ☐ Crowdfunding
- ☐ Fundraising
- ☐ Others:

BII	WHAT DONOR TYPE GIVES MOSTLY TO THE ORGANIZATION?
------------	--

- ☐ Individual
- ☐ Corporation
- ☐ Bequest
- ☐ Foundation

BIII	DOES YOUR ORGANISATION MEET ITS FUNDRAISING GOAL?
-------------	--

- ☐ Yes
- ☐ No

BIV	WHAT ARE THE TYPES OF FUNDRAISING METHODS USED?
------------	--

- ☐ Often asked in person
- ☐ Request via communication medium or event
- ☐ Institutional donor via application
- ☐ Others please specify.....

BV HOW FAR DO YOU RATE THE FOLLOWING FACTORS WHEN DECIDING UPON A GOOD CAPITAL STRUCTURE?

	Very Important	Somewhat Important	Important	Less Important	Not important at all
Return	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flexibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BVI TO WHAT EXTENT IS DEBT FINANCE A MAJOR SOURCE OF REVENUE?

- ☐ To a large extent
- ☐ Somewhat
- ☐ Very little
- ☐ Not at all

BVII RATE THE IMPORTANCE OF THE FOLLOWING OBSTACLES IN OBTAINING FINANCE?

	Very Important	Important	Important Moderately	Slightly Important	Not Important
Loan procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not enough guarantee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conditional ties imposed by investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Political influence and interference	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investors' prejudices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competition among social enterprises	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Type of networking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequate Awareness on Available Opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequate Strategic and Operational Plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Accountability and Transparency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C CAPACITY AND PERFORMANCE OF SOCIAL ENTERPRISE

CI NUMBER OF STAFF IN THE SOCIAL ENTERPRISE:

Managerial	Operational	Volunteer
<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
<input type="checkbox"/> 2	<input type="checkbox"/> 2	<input type="checkbox"/> 2
<input type="checkbox"/> 3	<input type="checkbox"/> 3	<input type="checkbox"/> 3
<input type="checkbox"/> 4	<input type="checkbox"/> 4	<input type="checkbox"/> 4
<input type="checkbox"/> 5	<input type="checkbox"/> 5	<input type="checkbox"/> 5
<input type="checkbox"/> >5	<input type="checkbox"/> >5	<input type="checkbox"/> >5

CII RATE THE PRESENCE OF THESE SKILLS IN YOUR ORGANISATION

	Very Present	Present	Present Moderately	Slightly present	Not Present
Project write-up and business plan write up	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Negotiation and communication with investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Implementation, Monitoring and reporting on project outcomes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Familiarity of staff with field of the social enterprise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motivation and enthusiasm of staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training offered by institutions like DCP, MACOSS and UOM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

CIII RATE THE PERFORMANCE OF ORGANISATION (1- lowest score and 5- highest score)

	1	2	3	4	5
To what extent the social enterprise meets its social responsibilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To what extent a performance appraisal system has been established	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How well are social activities/services implemented, reported and monitored?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D FACILITATOR & SUPPORT

DI TO WHAT EXTENT DO YOU AGREE THAT IN MAURITIUS THERE IS AN ENABLING ENVIRONMENT FOR SOCIAL ENTERPRISES?

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Tax	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legal advice from Government and public institutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The contribution of the private sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The contribution of Accounting firms in providing advice on management of funds and financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Infrastructure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information dissemination	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technological interface	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The entrepreneurial skills of staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The marketing approach to make yourself and your services known	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DII TO WHAT EXTENT DOES YOUR ENTERPRISE RECEIVE SUPPORT FROM (1- lowest score and 5- highest score)

	1	2	3	4	5
Government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Intermediaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For-profit organisations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other social enterprises	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DIII TYPE OF SUPPORT RECEIVED FROM THE FOLLOWING INSTITUTIONS:

	Financial support	Managerial & Consulting support	Marketing support
Government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Intermediaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For-profit organisations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other social enterprises	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

E ROLE OF INTERMEDIARIES

EI WHO ARE THE INTERMEDIARIES IN MAURITIUS?

.....
.....

EII. DO YOU USE INTERMEDIARIES ?

YES ☐ NO ☐

EIII. WHAT IS/ARE THE ROLE/S OF INTERMEDIARIES?

.....
.....

EIV TO WHAT EXTENT INTERMEDIARIES HELP, GIVE SOME EXAMPLES?

.....
.....

EV WHAT ARE THE DIFFICULTIES YOU ENCOUNTER WHEN DEALING WITH INTERMEDIARIES?

.....
.....

EVI WHAT ARE THE SUGGESTIONS YOU HAVE FOR INTERMEDIARIES?

.....
.....

F ROLE OF INVESTORS

FI WHO ARE THE INVESTORS/FUNDERS IN MAURITIUS?

.....
.....

FII HOW DO YOU ACCESS INVESTORS' FUNDS?

.....
.....

FIII **IS THERE A PLATFORM TO DISCUSS INVESTORS' NEEDS AND HOW YOU, AS SOCIAL ENTERPRISE, CAN MEET THEM?**

.....
.....

FIV **IS THERE A SCREENING DONE BEFORE CONTACTING AN INVESTOR?**

.....
.....

FV **IS THERE ANY RISK(S) THAT YOU SHARE WITH THE INVESTOR?**

.....
.....

FVI **IS THERE A MECHANISM IN PLACE TO CHECK THE BALANCE OF SOCIAL GAINS AND FINANCIAL RETURN ON INVESTMENT?**

.....
.....

G **THE WAY FORWARD FOR SOCIAL ENTERPRISES**

GI **WHAT ARE THE WAYS/METHODS AND APPROACHES THAT GOVERNMENT CAN PUT IN PLACE TO ENHANCE SOCIAL ENTERPRISES IN MAURITIUS?**

.....
.....

GII **WHAT IS THE FUTURE OF SOCIAL ENTERPRISES IN MAURITIUS?**

.....
.....



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