

Issue Overview

Social innovation refers to the application of innovative, practical, sustainable, market-based approaches that achieve transformative social and/or environmental change, with an emphasis on under-served populations. Social innovation is becoming a priority for decision-makers at the most senior levels. In this new age of austerity, as governments search for guidance and inspiration on scaling cost-effective solutions to social problems, social entrepreneurship has taken centre stage. Social enterprises balance a social mission with financial viability and sustainability, existing between the public sector and private markets in both the developed and developing world.



Did You Know?

- In the past three years, governments in the US, Europe and Australia have made available over US\$ 5 billion specifically for impact investment,¹ almost half of which was announced in 2011 alone.
- In 2010 the National Innovation Council in India was formed to develop a national strategy on innovation. As a first step it created a base of the pyramid fund with the ultimate goal of raising US\$ 1 billion (20% from the government and the rest from the private sector).
- In November 2011 the European Union launched the Social Business Initiative, which aims to improve the environment for social business in Europe.²
- In April 2012, US Secretary of State Hillary Clinton made the “global impact economy” a pillar of America’s foreign policy, recognizing that with “convergence on the part of government, the private sector and civil society, we can be much more effective working together than working at cross-purposes.”³

Further Resources

“Investing for Impact: How Social Entrepreneurship Is Redefining the Meaning of Return”, Schwab Foundation for Social Entrepreneurship and Credit Suisse

“From Blueprint to Scale: The Case for Philanthropy in Impact Investing”, Acumen Fund and the Monitor Institute

“Impact at Scale: Policy Innovation for Institutional Investment with Social and Environmental Benefit”, InSight at Pacific Community Ventures and the Initiative for Responsible Investing at Harvard University

“Counter(impact)ing austerity: the global trend of government support for impact investment”, JP Morgan

Calendar

4-5 December 2012, Social Innovation Summit, Silicon Valley, USA

23- 27 January, World Economic Forum Annual Meeting 2013, Davos-Klosters, Switzerland

April, 2013 (exact date tbc), Mumbai Social Enterprise Journey & Sankalp Summit, Mumbai, India

23-25 April 2013, World Economic Forum on Latin America, Lima, Peru

5-7 June 2013, World Economic Forum on East Asia, Myanmar



Asher Hasan,
Founder, Naya
Jeevan,
Pakistan;
Schwab
Foundation
Social
Entrepreneur

“

We need to create a better understanding of social innovation by bringing public and private sector entities together with philanthropists to think about the types of tools and incentives needed to put an ecosystem in place.

”



Iftekhar
Enayetullah,
Co-Founder
and Director,
Waste
Concern,
Bangladesh

“

One of the major barriers to scaling social innovations is inadequate policy support from governments, including tax policies and financial incentives. In Bangladesh, as in many Asian countries, social entrepreneurs are subject to pay tax, value added tax and import duty for machineries, whereas there is no import duty or value added tax for export-oriented for-profit companies and 7-10 years of corporate tax holiday is permitted. There is a need to incentivize the sector through this type of policy support, including tax policies.

”

¹ Impact investing refers to investments made based on the practice of assessing not only the financial return on investment but also the social and environmental impacts of the investment that happen in the course of the operations of the business and the consumption of the product or service which the business creates. http://en.wikipedia.org/wiki/Impact_investing.

² http://ec.europa.eu/internal_market/social_business/index_en.htm.

³ <http://www.state.gov/secretary/rm/2012/04/188548.htm>.

Members

*Elizabeth Littlefield, President, Overseas Private Investment Corporation (OPIC), USA

*Iftekhar Enayetullah, Co-Founder and Director, Waste Concern, Bangladesh

*Zia Khan, Vice-President, Strategy and Evaluation, The Rockefeller Foundation, USA

Reeta Roy, President and Chief Executive Officer, Mastercard Foundation, Canada

*Johanna Mair, Professor, Stanford University, USA

*Manju George, Co-Founder and Vice-President, Intellectap, India

*Bruce Mac Master, Director, Department for Social Prosperity, Colombia

*Carolina Trivelli Avila, Minister of Social Inclusion and Development of Peru

*Nicholas O'Donohoe, Chief Executive Officer, Big Society Capital, United Kingdom

*Asher Hasan, Founder and Chief Executive Officer, Naya Jeevan, Pakistan

Jacqueline Novogratz, Founder and Chief Executive Officer, Acumen Fund, USA

*Adrian Walker, Global Head, Infrastructure, Public and Project Finance, Hogan Lovells International LLP, United Kingdom

*Audrey Choi, Managing Director, Head of Global Sustainable Finance, Morgan Stanley, USA

Julie T. Katzman, Executive Vice-President, The Inter-American Development Bank, USA

Alvaro Rodriguez Arregui, Co-Founder and Managing Partner, Ignia Partners LLC, Mexico

*Ding Li, Vice-President, Non-Profit Incubator, People's Republic of China

*Giles B. Keating, Head of Research, Private Banking and Asset Management, Credit Suisse AG, Switzerland

*Confirmed participation in the Summit on the Global Agenda 2012

Council Insights

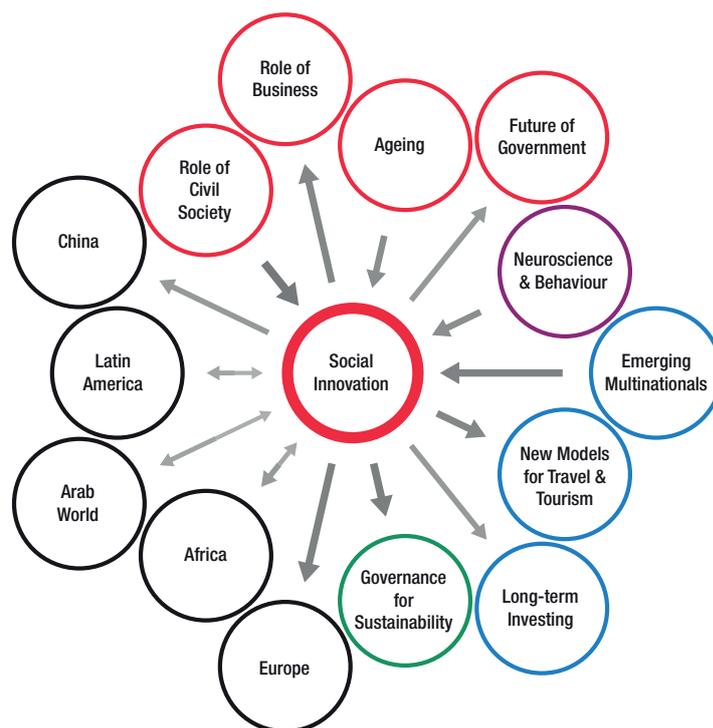
The Council is continuing its 2011-12 work to develop guidance for policy-makers and engage governments wanting to stimulate social innovation, by helping them develop a policy agenda that supports it.

The Council is developing a guide to global best practices that foster social innovation, including tax policies, technical assistance and enabling regulation. The Schwab Foundation and World Economic Forum directly support this research effort, in collaboration with InSight at Pacific Community Ventures and the Initiative for Responsible Investing at Harvard University. It will culminate in a "policy guide to scale social innovation" to be launched at the World Economic Forum's regional meeting in Latin America in 2013.

The Council will engage capital providers, due to the belief that a critical lack of early stage financing is holding back investment in many potentially successful cases. Thus, in the coming term the Council will be engaging philanthropists and other providers of soft capital in a structured conversation around the following questions:

- How can foundations use their endowments to make social investments? What, if any, regulatory or tax issues hinder that practice?
- How can foundations use their grant-making capabilities to provide guarantees, first-loss, or grant layers into investments in social ventures?

During their first virtual meeting, the Council Members concluded that more discussion is required to clarify what possible opportunity exists for a potential work stream on the topic of promoting data transparency. Rather than exploring how to improve impact measurement, this proposed theme focuses more on releasing data that already exists, especially in a machine-readable format, so that "innovators can pick up on that data and provide it to the public in ways that help advance and shape social innovation."



Contact Information

Research Analyst: Lina Boren, Global Agenda Councils, lina.boren@weforum.org
 Council Manager: Katherine Milligan, Director, Schwab Foundation, katherine.milligan@weforum.org
 Forum Lead: David Aikman, Senior Director, Head of The Forum of Young Global Leaders, david.aikman@weforum.org