

Falling in love with 99%

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I saw in the papers a few days ago that Occupy Wall Street was getting ready to begin a new wave of 'occupations'. I was curious and went to their website. I thought the occupation spirit had fizzled out. But I was wrong.

Occupy Wall Street's website welcomed me with revolutionary slogans that reminded me of my college days and a Valentine's Day campaign to 'Break up with your bank and fall in love with 99%'. It sounded so romantic and passionate! Yes, I was tempted but as a middle aged woman, questions started pouring into my mind -- what kind of a settlement will I get if I break up with my bank, who will take care of my banking needs/investments and most importantly, will the 99 percent really respond to my love? Then again, how do I show my love for the 99 percent? Can my actions, purchasing habits, and investments make my love more genuine for the 99 percent? Can I bring my bank into this communal love? I snapped out of my dizzy state and realised, 'Yes, I can. Yes, I am...'

Last autumn, the world watched in horror and awe as the young and old took on Wall Street -- the bastion of capitalism -- demanding a new type of capitalism that works for all. These pockets of protests across the globe may not have been well directed, but what they lacked in direction they more than made up for in focus. The mere presence of the tents and protest placards pointed in unison to the sad dearth of a moral compass in the financial sector today. Why has capitalism not worked for all? Is it too late to change it? It is worth exploring the system that has made us more into takers than givers, dependent rather than independent, richer in goods but woefully poor in spirituality? Can the system be tweaked and have the 99 percent fall in love with it again?

The world has experienced unprecedented growth since World War II. In parallel, the growth gave rise to inequitable societies where the majority of the population did not always benefit from the country's growth or the rise of millionaires. In Asia, we are very much in the middle of this. While 'Occupy Wall Street' did not happen in a significant way in Asia, we feel the crisis in other ways -- in our polluted cities and waterways, rapidly decreasing forests, lack of jobs for the young and care for the old, lack of food, medicine, habitats and most pressingly, lack of opportunity. It is not that 99 percent of our global population is not willing to partake in the glories of capital

markets. They certainly are, but they are not given the opportunity. Perhaps it is not the 99 percent that needs direction in their protests, but rather the practice of capitalism that needs a reassessment -- a nudge and perhaps even a push to shape up and start working on what it meant to do: not only create growth but create social good as well.

More than a century ago, Henry Ford famously asserted that "a business that makes nothing but money is a poor business." The world is now over run by 'poor businesses'. Headless pursuit of financial returns may produce happy management teams and shareholders, but also results in an unhappy planet for the businesses to operate on. The solution is not to give some money on the side to charity, or get your employees to go and play 'builder' or 'teacher' for a day somewhere as a so called CSR initiative. The solution is much more complex than that. It requires a paradigm shift of our business practices.

While traditional businesses will take time to change their mindset in bringing in social and environmental objectives as their core, there are companies all over the globe (a majority of them in Asia) that are creating their organisation around the basic DNA of doing social good. These organisations are from either a for-profit or not-for-profit legal structure. However, they share the common goal of creating positive social and environmental impact. Companies that have these social and/or environmental missions at their core are known as social enterprises.

Social enterprises can be one of two things: they are either mission-driven for-profit or market-driven not-for-profit organisations. Examples of social enterprises include a for-profit sustainable fishery in Indonesia that is alleviating poverty by paying fishers a premium for sustainable fishing practices, sparking more local development, and helping conserve the environment; a for-profit renewable energy organisation in India that is creating sustainable economic growth, conserving the environment, and creating jobs; and a non-profit microfinance organisation in India that creating economic empowerment/poverty alleviation, empowering women, increasing access to education for children, and job creation.

People are now slowly but surely waking up and creating, helping create or investing in social enterprises across the globe. The world has finally seen the need for, not bridges, but highways to connect capitalism with



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A woman works on a *nakshi kantha*, a type of embroidered quilt. People are now slowly, but surely, realising the need for social enterprises across the globe.

social good in order to acknowledge and act on the economic, social and environmental disparities that are plaguing us today. The infrastructure of this new form of capitalism is taking shape and is called impact investing -- a form of investment that generates a social and environmental impact along with the financial returns. This form of investment has been around in one shape or the other for centuries, but it is only now that the ripples of early efforts are shaping into a tsunami of social change. It is now ready to take on a world desperately seeking 'holistic' and a blended value of the inputs.

Perhaps getting involved with impact investing is a great way to show our love to the 99 percent. If one were to look beyond the heart, The Monitor Institute listed the following reasons as possible motivations to get involved with impact investing -- wanting to diversify portfolios, disenchantment with mainstream investment products and in general, as a response to consumers seeking to incorporate value-driven considerations into their purchasing and investment decisions. Regardless of the motivation, the result is the same: more money to address the world's problems, but with a difference. Unlike philanthropy, which is dependent on the constant generosity of governments and foundations, impact investing is sustainable.

JP Morgan has estimated potential invested capital over the next 10 years in the range of \$400 billion - \$1 trillion, with profits in between \$183 billion and \$667 billion even when only considering five sectors -- housing, rural water delivery, maternal health, primary education, and financial services -- for the portion of the global population earning less than \$3,000 a year. These numbers illustrate the huge potential for impact investing to become a significant source of sustainable funding for solutions to the world's problems.

One may ask, why can I not just give money to charity to show my love to the 99 percent? That is the whole point: the 99 percent wants your sustainable love and that cannot be shown with a one time charitable giving. You have to give a gift that keeps on giving, and that is impact investing. Furthermore, without a social investment tool, charities that depend on philanthropic giving and government funding are vulnerable to changes in the economic climate. As companies and governments alike tighten their belts during the economic crises, charities are forced to do likewise, somewhat ironically, since economic crises coincide with an increase in social challenges worldwide. Charities Aid Foundation UK, a network of charities and donors, found

that nearly half of the charities they surveyed reported dipping into their reserves during the recent recession. With the world facing the looming prospect of a significant recession, the need for a sustainable source of funding for development efforts is greater than ever.

Moreover, philanthropic capital on its own is unable to meet all the needs of the world. There is simply not enough philanthropic money around. To see this we need to look no further than the statistics released by Asian Development Bank (ADB). ADB reports that in 2008, around 63 percent of the world's poor were living in Asia and the Pacific Region. Almost half, 47.4 percent to be precise, of the region's 1.63 billion people live on less than \$2 a day. Almost as well-documented as Asia's stellar growth for the last quarter-of-a-century is the uneven distribution of its growth. Ten of ADB's 25 Developing Member Countries saw an increase, not decrease, in poverty between 2008 and 2009.

A recent UBS-INSEAD report concludes that philanthropic capital in Asia is insufficient as poverty alleviation requires large amounts of sustained funding, which is beyond the scope of single family foundations and usually even groups of such foundations. Instead of being engines of change, philanthropists need to recog-

nise their roles as catalysts for change, and incubators for innovative solutions that are self-sustaining.

Philanthropists across Asia are beginning to realise this. The families interviewed in the UBS-INSEAD report highlighted social entrepreneurship as the most important trend for the future. Indeed, interest in and the importance of social entrepreneurship will only continue to grow as the younger, more innovative generation takes over the running of their family offices.

How do I give this gift of impact investing to the 99 percent you may ask? The answer is, in many ways -- you can invest directly in an organisation, you can put money in a fund that will invest in a social enterprise or soon, you can even buy shares in an exchange dedicated to social enterprises. If I may boldly showcase my own love for the 99 percent, it is through an intermediary that I created -- Impact Investment Exchange Asia (IIX).

IIX is creating Asia's first social stock exchange: Impact Exchange. Impact Exchange will facilitate capital flow from impact investors to social enterprises, which seek to raise capital through offerings of shares, bonds, or other financial instruments. While the Impact Exchange will be a public platform, IIX has already launched a private platform called Impact Partners. Impact Partners connects impact investors with relatively small social enterprises (those with less than \$10 million capital raise) on an individualised basis. Impact Exchange has over 100 social enterprises in its pipeline and over \$68 million in investment opportunities, and it continues to expand its impact across Asia. There are also of course other intermediaries, such as BlueOrchard, which is one of the world's largest microfinance investment managers, and the Asian Venture Philanthropy Network, which promotes investment-minded approaches to creating social good.

With impact investing, perhaps we do not have to break up with our bankers, but rather need to give our bankers another chance to redeem themselves. As for falling in love with the 99 percent, I was always in love with them, and now I am ecstatic that I can demonstrate that love by repurposing capitalism not only for the millionaires but for the millions. I am not only occupying Wall Street, but am also recreating it.

The writer is the founder of Impact Investment Exchange Asia and Impact Investment Shujog - two social enterprises passionately creating social capital markets in Asia for 99%+1%.

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