

TAIWAN

SOCIAL INVESTMENT LANDSCAPE IN ASIA



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ABOUT THE REPORT

Now in its second edition, the Social Investment Landscape in Asia serves as a resource for funders and resource providers to assess the opportunities and challenges for social investment in 14 markets in North, South and Southeast Asia. It is designed to be a guide for new social investors and intermediaries looking to enter the Asian market and existing actors exploring partnerships as well as cross-border or cross-sector opportunities.

Each market report provides a holistic overview of the current and emerging trends in the social economy, including:

- Fact File: key demographic, economic and social investment indicators,
- Development Context: progress towards the Sustainable Development Goals and government initiatives to address development gaps,
- The Social Investment Landscape: key trends and notable actors,
- Social Economy Development: an assessment of the current landscape relative to the other 13 Asian markets, and
- Opportunities, challenges and recommendations for social investors and intermediaries.

An online decision-making tool and a detailed mapping of key actors are available at:
www.avpn.asia/si-landscape.

LIST OF ACRONYMS

A	ADB	Asian Development Bank
B	BLF	Bureau of Labour Funds
C	CAF	Charities Aid Foundation
	CSR	Corporate Social Responsibility
E	ESG	Environmental, Social and Governance
	ETF	Exchange-Traded Fund
F	FDI	Foreign Direct Investment
	FSC	Financial Supervisory Commission
G	GDP	Gross Domestic Product
	GHG	Greenhouse Gas
I	IMF	International Monetary Fund
N	NAB	National Advisory Board
	NGO	Non-Governmental Organisation
P	PE	Private Equity
	PPP	Purchasing Power Parity
S	SDG	Sustainable Development Goal
	SE	Social Enterprise
	SME	Small and Medium Enterprise
	SOE	State Owned Enterprise
	SPO	Social Purpose Organisation
T	TIP	Taiwan Index Plus Corporation
	TWSE	Taiwan Stock Exchange
W	WEF	World Economic Forum
	WHO	World Health Organisation

TAIWAN

Taiwan's rapid economic development and industrialisation in the latter half of the 20th century have been lauded as the Taiwan Economic Miracle and have played an integral role in making Taiwan one of the 'Four Asian Tigers' within the region. The development of export-oriented manufacturing has resulted in Taiwan's economy being heavily focussed on urban and industrial production. Taiwan is set to further innovate and transform its economy through an ambitious 5+2 Industrial Innovation Plan.

Taiwan, however, still faces challenges in socioeconomic development. Poverty has nearly been eradicated, but there are demographic problems which challenge its ability to continue to provide social protection for its rapidly ageing population. Other challenges include heavy reliance on imports for its fossil fuel-based energy supply and increased vulnerability to climate change.

Taiwan's social economy is growing due to private investor and government support. While the social enterprise sector remains relatively immature, the government has introduced legislation to drive social entrepreneurship, CSR and green finance. Impact investing and crowdfunding are emerging as additional sources of financing for social enterprises. The green bond market has had several notable listings and innovative sustainable investing opportunities, including an ESG stock index and a sustainability-focused PE fund, have been introduced.



FACT FILE

Population
2017

23.6 million

GDP (PPP, current USD)
2017

USD 1,189 billion

World Giving Index Rank
2017

52/139

● % giving money: 35%

● % volunteering time: 19%

● % helping a stranger: 54%

World Giving Index Rank (2016) - 50/140

GDP Growth
2017

2.9%

GDP per capita (PPP, current USD)
2017

USD 50,450

DEVELOPMENT CONTEXT

Although Taiwan is not a member of the UN and therefore not a signatory to the UN's Sustainable Development Goals (SDGs), the government of Taiwan voluntarily integrated the SDG framework into its national development plan in 2017.¹ In its 2018 SDG progress report, Taiwan identified its priority issues as energy transformation, sustainable resource management, ecological conservation, and small and medium enterprise (SME) development.² Due to a steadily declining birth rate with a total fertility rate of just over one child per woman, Taiwan will transition to what the World Health Organisation (WHO) calls a "super-aged society" by 2026.³ This indicates that

Taiwan will soon be facing problems such as labour shortages, falling domestic demand and productivity, and declining tax revenues.

The Taiwan 2018 National Development Plan seeks to combat these socio-economic issues. In relation to climate change and enhancing energy access, the government plans to use energy storage technology and a smart grid system to improve overall efficiency and autonomy.⁴ The 5+2 Industrial Innovation Plan is set to further spur SME development through innovation development and the circular economy.⁵



1. SDG Knowledge Hub, 2017, Taiwan Launches First VNR

2. SDG Knowledge Hub, 2018, Taiwan Launches 2018 SDG Progress Report

3. Taiwan News, 2018, MOI: Taiwan officially becomes an aged society with people over 65 years old breaking the 14% mark

4. National Development Council, 2018, The 2018 National Development Plan

5. Executive Yuan, 2018, "Five plus two" innovative industries plan

Global Competitiveness Rank

2017-2018

15/137

Global Competitiveness Rank (2016-2017) - 14/138

Ease of Doing Business Rank

2019

13/190

Ease of Doing Business Rank (2018) - 15/190

Poverty

(Percentage of the population living below the national poverty line)

2019

1.4%

Number of Millionaires

2017

381,000

Source: Asian Development Bank (ADB), Charities Aid Foundation (CAF), Credit Suisse, International Monetary Fund (IMF), World Bank, World Economic Forum
Figures are accurate

GOVERNMENT INITIATIVES TO ADDRESS DEVELOPMENT GAPS

IMPACT AREA	GAP	GOVERNMENT INITIATIVES
Climate action	<ul style="list-style-type: none"> In the United Nations Framework Convention on Climate Change's Global Climate Risk Index 2018, Taiwan was ranked as the 7th most at risk nation during extreme weather events.⁶ In the Climate Change Performance Index 2019, Taiwan dropped 2 spots to 56th and was rated as "very poor".⁷ In 2018, Taiwan was the 7th largest CO₂ emitter per capita, surpassing peers like South Korea and Japan. Coal-burning power plants made up 46% of its power production.⁸ 	<ul style="list-style-type: none"> Taiwan's Master Plan on Energy Conservation and GHGs Emission Reduction (2018) includes measures to reduce the amount of carbon dioxide emissions to 2% below 2005 levels by 2020 and 10% by 2025.⁹ The government is targeting a nuclear-free homeland, 20% renewable energy generation, and 80% thermal power generation by 2025.¹⁰ The 2018 National Development Plan aims to build a 'Green Silicon Island', which includes developing energy storage technology, constructing a smart grid system, and promoting renewable energy through the Shalun Green Energy Science City.¹¹
Energy access	<ul style="list-style-type: none"> In 2017, 98% of Taiwan's energy supply was imported.¹² Despite a referendum in November 2018 that demonstrated majority public support for nuclear power, the government will continue to phase it out by 2025. Without nuclear power, the Ministry of Economic Affairs warns Taiwan may face power shortages in 2021 due to increasing demand.¹³ 	<ul style="list-style-type: none"> In 2017, the Financial Supervisory Commission of Taiwan approved the Green Finance Action Plan, designed to assist green energy operators obtain funds while promoting green investment principles in the financial industry.¹⁴ Offshore wind subsidies were cut by 5.7% in January 2019, potentially affecting industry investment from international developers.¹⁵

6. Taiwan News, 2017, Taiwan named 7th on Global Climate Risk Index 2018

7. Taiwan News, 2018, Taiwan recedes in Greenwatch's report of climate change

8. Fulbright Taiwan, 2018, Taiwan's Soft Power and Global Climate Change Initiatives

9. European Chamber of Commerce Taiwan, 2018, Update on Taiwan's energy and carbon reduction policies

10. Bureau of Energy, Ministry of Economic Affairs, 2018, In order to successfully promote the transition of energy structure, the government is actively implementing various measures to ensure stable power supply

11. National Development Council, The 2018 National Development Plan

12. Bureau of Energy, Ministry of Economic Affairs, 2017, Energy Statistical Annual Reports: Energy Supply and Total Domestic Consumption

13. Focus Taiwan, 2019, Taipower rules out use of nuclear power

14. Financial Supervisory Commission Republic of China (Taiwan), 2017, Executive Yuan Approves the Green Finance Action Plan

15. South China Morning Post, 2019, Will trimmed subsidy roll back knock the wind out of Taiwan's offshore turbine sector?

IMPACT AREA	GAP	GOVERNMENT INITIATIVES
SME development	<ul style="list-style-type: none"> SMEs accounted for 97.7% of total enterprises in Taiwan in 2016 and employed 78.4% of the labour force.¹⁶ In the GEM Global Entrepreneurship Monitor, Taiwan tied for 49th out of 54 countries in “entrepreneurial spirit”, ranking in the bottom 10% for perceived opportunities and capabilities.¹⁷ 	<ul style="list-style-type: none"> Government special loans for SMEs totalled NT\$7.3 billion (USD 235 million) and guidance resources for SMEs totalled NT\$27.6 billion (USD 890 million) in 2017. The 2018 White Paper on SMEs contains several initiatives:¹⁸ <ul style="list-style-type: none"> The government has earmarked NT\$5 billion (USD 160 million) to assist SMEs to engage with more countries across the Asia-Pacific region. The Start-up Demonstration Development Program was established in 2018 to guide start-ups through the government market and encourage government purchase of start-up products and services.
Social protection	<ul style="list-style-type: none"> In 2018, Taiwan officially became an aged society with people over 65 years old accounting for 14.1% of the total population. It is estimated that this percentage will exceed 20%, making Taiwan a ‘super-aged society’ by 2026.¹⁹ National Health Insurance expenditure is expected to grow 4.7% annually and was 6.3% of GDP in 2016.²⁰ 	<ul style="list-style-type: none"> The 2018 National Development Plan continues to promote the 10-year Long-Term Care 2.0 plan started in 2016. Goals include comprehensive community-based care system and completing preventive and dementia care systems.²¹ Social welfare constitutes the largest proportion of the government’s 2019 fiscal budget at NT\$2 trillion (USD 64 billion).²² At 24.3%, it represents a modest increase from 22.3% in 2016.²³

Source: AVPN analysis



16. Small and Medium Enterprise Administration, Ministry of Economic Affairs, Statistics

17. GEM Global Entrepreneurship Monitor, 2018, Global Report 2017/18

18. Small and Medium Enterprise Administration, Ministry of Economic Affairs, White Paper on Small and Medium Enterprises in Taiwan, 2018

19. Taiwan News, 2018, MOI: Taiwan officially becomes an aged society with people over 65 years old breaking the 14% mark

20. Export.gov, 2018, Healthcare Resource Guide: Taiwan

21. National Development Council, The 2018 National Development Plan

22. Taipei Times, 2018, Cabinet finalises general budget of over NT\$2tn

23. BertelsmannStiftung, 2018, BTI 2018: Taiwan Country Report

THE SOCIAL INVESTMENT LANDSCAPE

NEW DEVELOPMENTS IN 2017-2019

- Taiwan's first green bonds were issued in May 2017. By November 2018, there were 23 green bond issuances in Taiwan totalling USD 1.8 billion.²⁴
- In October 2017, the Financial Supervisory Commission (FSC) approved Taiwan's first private equity (PE) fund focused on sustainable industries, established by Cathay Private Equity Co. with NT\$10 billion (USD 320 million).²⁵
- The government announced the Green Finance Action Plan in November 2017 with the goal of promoting voluntary international green investment and finance principles among financial institutions to improve green financing opportunities.
- The Bureau of Labour Funds (BLF) placed USD 1.4 billion in a 5-year passive mandate in the FTSE4Good TIP Taiwan ESG Index, the first ESG-benchmark for Taiwanese companies, in February 2018.
- In August 2018, Taiwan announced the 'Social Innovation Action Plan', which will invest NT\$8.8 billion (USD 290 million) over 5 years in social innovation to support social entrepreneurs.²⁶

Vibrant SE sector emerging with strong government support

Although the concept of social enterprise (SE) was introduced to Taiwan in 2007 and 2014 was regarded as the "First Year of Social Enterprises," a lack of public awareness and scarcity of resources and funds have limited the growth of the sector.²⁷ Taiwan's government first demonstrated support for SEs with its NT\$160 million (USD 5 million) Social Enterprise Action Plan (2014-2016). It has recently introduced new initiatives to continue propelling SE sector development. In 2017, the Social Innovation Lab was established as a gathering place for social entrepreneurs to access government services or collaborate and share knowledge with one another. Within its first year, the Social Innovation Lab hosted more than 1,000 events with more than 40,000 participants.²⁸

In August 2018, the Social Innovation Action Plan was launched by 12 Taiwanese ministries to further support social entrepreneurs with a joint investment of NT\$8.8 billion (USD 290 million) over 5 years.²⁹ The government also adopted draft amendments to the Company Law in 2018 which allow a company to not pursue maximising shareholder benefit as its

sole purpose but to also fulfil social responsibilities.³⁰ This legislative change is important as it enables SEs that are legally registered as companies to continue pursuing social impact.

In March 2019, E.Sun Bank announced a collaboration with the Taipei City Government to offer special loan rates for SEs. The programme allows for up to NT\$100 million (USD 3 million) in loans with a 1.6% interest rate compared to standard corporate loans of at least 2%. The Small and Medium Business Credit Guarantee Fund of Taiwan (Taiwan SMEG) will also raise their guarantee percentage to 90% to reduce financial risk.³¹ This public-private collaboration marks an exciting development in government's ability to drive more private-sector financial resources to SEs.

Despite this support, Taiwanese SEs remain relatively young and generally lack sustainable business models. A 2017 survey found that 60% of SEs had been established for less than 5 years and 40% were still experiencing losses.³² Nevertheless, the public is generally supportive of SEs. 64% of those surveyed by United Daily News, a Taiwanese newspaper, were willing to pay higher prices in order to purchase SE products or services, suggesting strong potential for future SE market expansion.³³

24. Taipei Exchange, 2019, Bond Market Info

25. Financial Supervisory Commission, 2017, Executive Yuan Approves the Green Finance Action Plan

26. Taiwan News, 2018, Taiwan to invest NT\$8.8 billion in social innovation

27. Social Enterprise Insights, 2017, SE in Taiwan

28. MOEA, 2018, Social Innovation in Taiwan

29. Taiwan News, 2018, Taiwan to invest NT\$8.8 billion in social innovation

30. Lee, Tsai & Partners, 2018, Update on Legal Amendments Concerning Corporate Social Responsibility, Social Enterprises and the Company Act (Taiwan)

31. Taipei Times, 2019, E.Sun Bank unveils programs to offer social enterprises easier, cheaper loans

32. Wu et al., 2018, Development and Challenges of Social Enterprises in Taiwan—From the Perspective of Community Development

33. Wu et al., 2018, Development and Challenges of Social Enterprises in Taiwan—From the Perspective of Community Development



B Lab Taiwan – transforming business into a force for good

B Lab Taiwan was launched in 2016 as the accreditation organisation and central figure of the B Corp movement in Taiwan. The B Impact Assessment serves as a comprehensive standard and framework for measuring the impact of businesses towards society, the environment and employees. As of January 2019, Taiwan had 25 B Corps, the largest number in Asia.³⁴

The impact of B Lab Taiwan goes beyond just B Corp certification. B Lab Taiwan hosted the 2017 Asia Forum, which brought together over 500 people engaged in the B Corp movement from across Asia and outside the region.³⁵ It partnered with the Fu Jen Catholic University's College of Management to develop the B Academy, which will conduct research and provide opportunities for students to engage with B Corps.³⁶ Through cross-sector initiatives, such as the "Best for Taipei" challenge jointly organised with O-Bank and Taipei City Government in 2017, B Lab is also expanding beyond the scope of B Corps and driving the larger movement of Business for Good in Taiwan.³⁷



Greater diversification in funding options for SEs

More diverse funding options for SEs such as impact investment and crowdfunding platforms are gaining popularity. B Current Impact Investment is a pioneering impact fund in Taiwan. Through a club funding model, it launched its first impact fund with 42 individual investors in 2014, a second fund with 16 institutional investors in 2017 and is preparing for its third fund involving international investors.³⁸ As of 2018, B Current had supported 10 SEs with NT\$125 million (USD 4 million) of financing, which in return collectively generated approximately 400 employment opportunities and NT\$780 million (USD 25 million) in revenue.³⁹ B Current is partnering with Social Enterprise Insights to develop an accelerator

programme for SEs looking to scale that will launch in 2019. SE Insights has also run an incubator program, iLab, since 2014, which has supported 64 entrepreneurs and raised over NT\$100 million (USD 3.2 million).⁴⁰

To further unlock private capital and promote impact investment, the Financial Supervisory Commission revised regulations making it possible for investment holding firms to support new social enterprises in 2017.⁴¹ In February 2018, Taiwan representatives were invited to a Global Steering Group for Impact Investment workshop indicating mutual interest in establishing a National Advisory Board (NAB), which would accelerate Taiwan's alignment with international standards for impact investment.⁴² This would make

34. B Corporation, 2018

35. B the Change, 2017, At Asia Forum, B Corp Advocates See Opportunity – And Shared Urgency – For Growth

36. AVPN, 2018, Converge for Impact: Fu Jen Catholic University and B Lab Taiwan

37. Taipei Times, 2017, "Best for Taipei" challenge – Ko Wen-je: businesses key to transforming society

38. Interview with B Current Impact Investment on 3 May 2019

39. B Current Impact Investment, 2019, Annual Report 2018

40. SE Insights iLab, 2019, About

41. Taiwan Today, 2017, Premier Lai backs social enterprise development in Taiwan

42. Social Enterprise Insights, 2018, Taiwan is expected to establish the fourth NAB in Asia

Taiwan the 4th Asian economy to establish a NAB after India, Japan, and South Korea.

An emerging funding tool for SEs in Taiwan is crowdfunding. In 2016, Taiwan was reported to have the highest per capita ratio of crowdfunding participants.⁴³ Agoood, a Taiwanese SE transforming the role of street sellers, exceeded its NT\$800,000 (USD 26,000) goal by over 25% in under two months, offering a promising example of the potential for crowdfunding.⁴⁴ However, while there has been a rise in reward-based and equity-based crowdfunding, donation-based crowdfunding, which is the primary form of social impact-driven crowdfunding, remains nascent.⁴⁵

CSR movement gaining traction through government-led efforts

Corporate Social Responsibility (CSR) is slowly gaining traction in Taiwan as companies become more aware that stakeholders are concerned with both financial performance and good governance. 83 Taiwanese companies were listed in the 2019 Sustainability Yearbook, the 7th most in the world. 14 of the companies were in the top 10% of their industry and 2 were industry leaders.⁴⁶

The government is a key driver behind CSR reporting. The Taiwan Stock Exchange (TWSE) made CSR reporting mandatory for the largest listed corporations in 2014,⁴⁷ and in 2015 extended compulsory CSR reporting to companies with stock of NT\$5-10 billion (USD 160-320 million) by 2017.⁴⁸ The 2017 CSR Report Survey found that 83 of Taiwan's top 100 companies compiled CSR reports in 2016 compared with 56 in 2014.⁴⁹ The total number of companies that issued CSR reports in 2017 reached 345, a new record of 37% of TWSE-listed companies.⁵⁰

However, alignment of CSR with the SDGs is limited: a PricewaterhouseCoopers survey found that only 9% of Taiwanese businesses take the SDGs into account in their CSR reports compared to 71% of global businesses. Of the SDGs, Goal 13 on climate action attracts the most attention from Taiwanese companies, with 37% sharing their climate change policy and mitigation and adaptation strategies.⁵¹

Innovations in sustainable investment attract attention

Several developments have occurred in the past few years to make sustainable investing easier and more mainstream. Since 2010, TWSE has established 4 stock indices tied to sustainability.⁵² The most recent index, the FTSE4Good TIP Taiwan ESG Index, was introduced in December 2017 by the stock market analytics and benchmarking company FTSE Russell in conjunction with Taiwan Index Plus Corporation (TIP). This is the first domestic benchmark of Taiwanese companies by their ESG performance and aims to improve ESG evaluation integration with investment strategies.⁵³ Other innovations around sustainable investing include Taiwan's first Private Equity (PE) fund focused on sustainable industries, established by Cathay Private Equity Co. with NT\$10 billion (USD 320 million) in October 2017.⁵⁴ In February 2019, the first green bond-enhanced ETF, based on an index supplemented with green bonds, was listed on the TWSE by Shin Kong, further expanding sustainable investment options.⁵⁵

Taiwan is also joining the growing trend of integrating ESG investment within passive investment strategies. Following the footsteps of Japan's Government Pension Investment Fund, Taiwan Bureau of Labour Funds (BLF), the nation's leading public pension fund, is leading large-scale ESG investing in Taiwan. In 2017, BLF finalised a USD 2.4 billion investment mandate under the Global ESG Quality Mix Equity Indexation Mandate.⁵⁶ Following the creation of the FTSE4Good ESG Index in December 2017, BLF then placed another USD 1.4 billion in a 5-year passive mandate in February 2018.⁵⁷

Green finance and green bonds gain quick acceptance

Green finance has been actively promoted since 2016, when an FSC measure was introduced to encourage domestic banks to lend to green energy enterprises.⁵⁸ As of the end of September 2017, such outstanding loans exceeded NT\$1 trillion (USD 32.5 billion).⁵⁹ The FSC has also granted approval for approximately NT\$5.35 billion (USD 170 million) in investments in 5

43. Crowdfund Insider, 2016, Taiwan: Report on Crowdfunding

44. Zeczek, 2017, Agoood, Talent City

45. University of Cambridge Centre for Alternative Finance, 2017, Cultivating Growth: The 2nd Asia Pacific Region Alternative Finance Industry Report

46. RobecoSAM, 2019, The Sustainability Yearbook 2019

47. GRI, 2014, Mandatory Sustainability Reporting Regulation in Taiwan

48. Taiwan Stock Exchange, Corporate Governance Center, 2015, Taiwan Stock Exchange to Extend Compulsory CSR Reporting to Companies with Common Stock of No Less Than NT\$5 Billion from 2017

49. 3BL Media, 2017, 2017 Taiwan CSR Overview and Trends

50. Taiwan Stock Exchange, Corporate Governance Center, 2019, Taiwan's ESG Reveals Outstanding Performance

51. 3BL Media, 2017, 2017 Taiwan CSR Overview and Trends

52. Taiwan Stock Exchange, Corporate Governance Center, Corporate Social Responsibility Overview

53. Taiwan Stock Exchange Corporate Governance Center, 2017, FTSE Russell introduces FTSE4Good TIP

Taiwan ESG Index

54. Financial Supervisory Commission, 2017, Executive Yuan Approves the Green Finance Action Plan

55. ChinaBond, 2019, The First Green Bond Enhanced Index ETF Listed on Taiwan Stock Exchange

56. Bureau of Labor Funds, Ministry of Labor, 2016, Plans for 2017 Mandate Programs of the Bureau of Labor Funds

57. FTSE Russell, 2018, Taiwan Bureau of Labor Funds selects FTSE4Good TIP Taiwan ESG Index for \$1.4 billion mandate

58. Financial Supervisory Commission Republic of China (Taiwan), 2016, Promoting green finance, supporting the development of the green energy industry

59. Financial Supervisory Commission Republic of China (Taiwan), 2017, Executive Yuan Approves the Green Finance Action Plan

renewable energy power plants.

In November 2017, the Executive Yuan approved the Green Finance Action Plan. The Plan had the short-term goal of promoting the Equator Principles and other voluntary international green investment and finance principles to domestic financial institutions. By emphasising training in the financial industry on green energy industry expertise and enhanced credit, the plan assists green energy operators to obtain funds. As of April 2019, 4 Taiwanese financial institutions are signatories to the Equator Principles, second only to Japan.⁶⁰

Green bonds were first issued in Taiwan in May 2017. By November 2018, 16 financial institutions and enterprises had issued 23 green bonds totalling USD 1.8 billion.⁶¹ 14 of these bonds are to develop renewable energy and energy technology.

Important bond issuances include:

- 4 local banks were the first to issue green bonds on the Taiwan stock exchange totalling USD 170 million in May 2017.
- In September 2017, Taiwanese state-owned enterprise (SOE) CPC Corporation was the first SOE with a green bond issuance of USD 93 million.
- Societe Generale was the first foreign bank to offer Taiwan dollar-denominated green bonds, with 3 tranches totalling USD 54 million in October 2018.
- Taipower issued its 4th tranche of green bonds in November 2018 valued at USD 97 million. Including its earlier tranches in December 2017 and May 2018, Taipower has issued green bonds totalling USD 454 million, the most of any bond issuer.













60. Equator Principles, 2019

61. Taipei Exchange, 2019, Bond Market Info

SOCIAL ECONOMY DEVELOPMENT

Taiwan's social economy, catalysed by strong government support, has seen promising development across several sectors, including social enterprise, impact investing and green finance

CATEGORY	FACTOR	RATING	DESCRIPTION
SPOs	Presence, size and maturity		<ul style="list-style-type: none"> Taiwan has nearly 60,000 registered NGOs.⁶² The Ministry of Labour and Ministry of Economic Affairs estimates that there are 384 SEs and as many 11,343 potential SEs.⁶³
	SEs' sectoral presence		<ul style="list-style-type: none"> SEs focus primarily on employment for disadvantaged groups, food and agricultural innovation, and services in rural areas.⁶⁴
Investors	Philanthropic contributions		<ul style="list-style-type: none"> The most recent estimate of philanthropic giving is from 2013 of NT\$53.7 billion (USD 1.8 billion).⁶⁵ The Buddhist Tzu Chi Foundation is one of the largest foundations with international operations and members. Examples of other sustained and institutionalised philanthropy are limited.
	Managed funds		<ul style="list-style-type: none"> New options for sustainable investing include the FTSE4Good ESG Index, sustainable industry-focused PE fund, and a green bond-enhanced ETF. The Taiwan Bureau of Labour Funds has allocated USD 3.8 billion for ESG investments, but there are no other examples of ESG-aligned passive investments by institutional investors.
	Corporate sector		<ul style="list-style-type: none"> The government now mandates CSR reporting for companies on TWSE with more than NT\$5 million stock. A majority of companies still do not issue CSR reports and those that do are often not aligned with the SDGs. Taiwan had 25 certified B Corps as of January 2019, the largest number in Asia.
Enablers and Intermediaries	Policy environment		<ul style="list-style-type: none"> In 2017, the government opened the Social Innovation Lab and in 2018 announced a 5-year "Social Innovation Action Plan" with substantial financial, administrative and legislative commitment. Government has also encouraged the development of green finance and CSR, bringing Taiwan's social economy in line with its international counterparts.
	Incubators, accelerators and capacity builders		<ul style="list-style-type: none"> Social Enterprise Insights-iLab is a leading social incubator in Taiwan that has been in existence for 5 years. It is launching an accelerator programme in 2019. The Social Innovation Lab is a shared place for social entrepreneurs and SE-related events. KPMG Taiwan is also an active capacity builder in the SE sector.
	Networks and platforms		<ul style="list-style-type: none"> B Current has recently established a formal partnership with SE Insights to expand their SE networks. Both organisations have run impact funds and SE incubators since 2014. The Social Innovation Lab is a co-working space and platform for SEs and other stakeholders in the sector to engage with one another.
	Knowledge and research		<ul style="list-style-type: none"> There is limited knowledge sharing and research on Taiwan's social economy, especially in English. Universities that conduct research on the social economy include the Social Impact Institute of Taiwan and Fu Jen Catholic University. However, there have not been any comprehensive social economy landscape reports in the past few years.
	Partnerships		<ul style="list-style-type: none"> In early 2019, the Taipei government announced a partnership with E.Sun Bank to provide financial loans for SEs B Lab has partnered with Fu Jen Catholic University's College of Management to launch a B Academy that will conduct research on B Corps.

62. CAPS. 2018. Philanthropy in Southeast Asia: Between Charitable Values, Corporate Interests and Development Aspirations

63. Wu et. al, 2018, Development and Challenges of Social Enterprises in Taiwan—From the Perspective of Community Development

64. Wu et. al, 2018, Development and Challenges of Social Enterprises in Taiwan—From the Perspective of Community Development

65. Taiwan Association for Community Responsibility (APA-TW), 2014, Annual Public Donations of more than 50 Billion

OPPORTUNITIES

- High digital access, advanced infrastructure and developed human capital indicate Taiwan's potential to be a breeding ground for social entrepreneurship.
 - Continued government support for social innovation programmes is allowing for stronger overall sectoral development, especially for green finance.
 - Rising public awareness of social entrepreneurship and alignment with SE missions suggests potential for expanding SE markets.
 - Impact investment is increasingly accessible with more products that integrate ESG principles in the market. Recent large investments by the Bureau of Labour Funds can drive other passive funds to invest more sustainably.
 - CSR is gaining more recognition and more corporates are publishing CSR reports. Recent mandates by TWSE to share CSR continue to be expanded raising the overall level of corporate sustainability in Taiwan.
 - Philanthropic giving in Taiwan is primarily religiously-driven. Activating this culture to give strategically or to invest other funds for social purposes could lead to more private resources to support SEs.
 - Dramatic growth in green bonds in the last two years shows greater interest in green finance and opportunities to align green finance opportunities with overall development towards renewable resources and sustainability.
- small in scale and lack public recognition in the marketplace.
 - Government support and incentives for SPOs have also led to an over-reliance on grants, which might impede social enterprise development and self-sustainability.
 - There is a dearth of social investors providing patient capital in Taiwan, which is crucial for the majority of SEs still in the early stages of growth.
 - The lack of incubators and accelerators means that SE models are not well-supported for growth and sustainability. Approximately 70% of SEs are registered as non-profits, suggesting that there is less focus on developing strong business models.
 - Taiwanese investors still lag behind peers in sustainable investing, citing fear of lower returns. The lack of capital and ESG-driven funds reduces the incentive for companies to demonstrate stronger alignment with ESG principles.
 - More companies are publishing CSR reports but these reports rarely integrate the SDGs. Unless more education around the SDGs and the purpose of CSR occurs, companies' CSR efforts will stay fragmented, limiting overall impact.

RECOMMENDATIONS

- **Development gaps:**
 - Employment for the elderly and services for rural and elderly populations are some of the primary functions of Taiwanese SEs. To help address the social issues the rapidly ageing Taiwanese population faces, SEs should be supported and encouraged to expand.
 - The 2018 National Plan called for Taiwan to transition into a "Green Silicon Island" and strengthen green technology. Green finance and green bonds can be a platform for government and financial institutions to jointly invest and grow the sector.
- **Social investment:**
 - Foundations should consider moving beyond traditional philanthropy towards more

CHALLENGES

- Taiwan not only faces demographic challenges but its young professionals are drawn to larger and more dynamic Western and Chinese markets. This diminishes the pool of potential social entrepreneurs and talent for the domestic social economy.
- Although the SE sector has been developing over a decade, most social enterprises are still young,

progressive models of social investment, such as providing patient capital to support SEs.

- Mainstream investors can take advantage of new sustainable investment tools, such as the FTSE4Good Taiwan ESG Index or other green finance funds. Financial institutions can also explore collaboration opportunities with government and other investors to build up expertise and develop more market offerings.
 - The new Social Innovation Lab, which already functions as an SE hub, can also be dedicated to bringing impact investors together, allowing for more co-investment and structured mentorship of SEs.
 - Beyond engaging in traditional CSR activities and publishing CSR reports, corporates should consider alternative approaches to maximise their impact, such as supporting social enterprises and integrating ESG principles into their operations. The momentum behind the B Corp movement and Business for Good can be harnessed for this transition.
 - Domestic institutional investors can co-invest with international impact investors to integrate localised knowledge with impact investment expertise. This can unlock greater pools of financial capital to support SEs.
- **Ecosystem support:**
 - The government should foster an enabling environment for the creation of incubators and accelerators that promotes social innovation and entrepreneurship or spearhead the movement by establishing intermediaries.
 - Partnerships across universities and research institutions can deepen and specialise the research into social investment, creating a richer evidence base for more tailored private, government or cross-sector initiatives.
 - The recent listing of green finance options by international investors and business professionals can be supported by education and awareness by international platforms to demonstrate the mainstream viability of such investments.

- Taiwan requires more cross-sectoral platforms where local and regional investors can convene to promote social investment approaches, identify high-potential SEs and forge new partnerships.
- As the key driver for social enterprise and social innovation development, the government can provide stronger support by establishing partnerships with leading ecosystem stakeholders.

"The social enterprise movement in Taiwan is entering a new stage of development, and more capital providers with diverse financing tools are needed to scale-up social enterprises with sustainable models. Robust collaboration between the government and the private sector facilitated by intermediaries will play a critical role in building a strong ecosystem."

Ray Chen, B Current Impact Investment Inc.

RECOMMENDED READING

- CSRone, 2017, 2017 Taiwan CSR Overview and Trends
- Wu et. al, 2018, Development and Challenges of Social Enterprises in Taiwan—From the Perspective of Community Development

Appendix: Legislative Framework for SPOs in Taiwan

Social purpose organisations in Taiwan can be legally registered as non-profits or for-profits:

NON-PROFIT STRUCTURES	
Charitable association	Charitable associations are organisations for the purpose of promoting public welfare, culture, academic research, religion and charity.
Business association	Business associations are organised by institutions and individuals in the same trade to enhance common benefits and promote socioeconomic growth. Examples include aboriginal construction workers cooperatives, food producers, organic food and clothing producers.
FOR-PROFIT STRUCTURES	
Unlimited company	Unlimited companies are organised by two or more shareholders who bear unlimited joint and several liabilities for discharge of the obligations of the company.
Unlimited company with limited liability shareholders	Unlimited companies with limited liability shareholders are organised by one or more shareholders of unlimited liability and one or more shareholders of limited liability; among them the shareholder with unlimited liability bears unlimited joint liability for the obligations of the company, while each of the shareholders with limited liability shall be held liable only in respect of the amount of capital contributed.
Limited company	Limited companies are organised by one or more shareholder with each shareholder liable for the company limited to the amount contributed.
Company limited by shares	Companies limited by shares are organised by two or more shareholders or by the government with the total capital and obligations of the company divided into shares.

METHODOLOGY

HOW WE CURATE INSIGHTS IN THIS REPORT

The research team used a combination of primary and secondary research methods and a particular process to curate information into useful insights:

- We sketched the landscape by compiling relevant standard indicators, indices and rankings from secondary sources.
- We plotted the trends and actors from secondary literature and AVPN's various member engagement activities.
- We expanded on this understanding by interviewing key actors, ranging from foundations to impact investors, intermediaries, and social entrepreneurs, to understand their investment/ implementation philosophies, challenges and barriers they face, and key recommendations they have for anyone looking to invest in or support the social economy or specific causes therein.
- We corroborated the information we received from the interviews with secondary data to discern common patterns, contexts and evolutions which have led to certain trends.
- We computed the ratings for the social economy based on secondary data and insights from interviews.
- Once we had completed the landscape, we revisited the social economy ratings to perform a relative regional comparison and adjust the ratings accordingly.
- We also vetted the completed landscape with experts as listed in the acknowledgement.
- Overall, we aimed to bring the data and analysis together to provide practical recommendations for social investors and intermediaries across the spectrum.

Throughout the profile, we have attempted to map out recent developments, interesting partnerships and key actors that could form a basis for future collaborations. We have also provided detailed citations with embedded links to original sources and a list of recommended readings for further reference.



Definitions

While there might be different interpretations of the following key terms across Asia, our working definitions are as follows:

Supply of social investment	
Corporate	A company that invests directly in social impact through CSR or through establishing a corporate foundation
Development finance institution	A financial institution that provides development aid and/or capital towards private sector development in developing countries
Family office	A wealth management advisory or establishment for high net worth and ultra high net worth individuals
Foundation/Trust	A not-for-profit organisation that funds social and/or environmental causes
Impact fund	A fund that invests with the intention to generate positive, measurable social and environmental impact alongside a financial return
Demand for social investment	
Impact business	A company that focuses on creating positive outcomes for specific stakeholders of the business including employees, communities, customers, and the environment
Non-profit organisation	An entity dedicated to furthering a particular social or environmental cause (also referred to as non-governmental organisations)
Social enterprise	A company with a social mission that is aspiring to or able to generate revenues out of its products and services
Social purpose organisation	An umbrella term for non-profit organisations, social enterprises and impact businesses
Intermediaries	
Incubators, accelerators and capacity builders	Organisations that provide facilities, expertise and other forms of non-monetary support to entrepreneurs
Networks and platforms	Online and offline locations that convene stakeholders
Research and knowledge	Academic institutions and organisations that publish on the social economy

Mapping and Rating Methodologies

Government initiatives to address development gaps

For this section, we referenced Toniic's SDG Impact Theme Framework to map government initiatives to the different impact areas and relevant SDGs. The goal of the framework is to allow social investors to align their investments with the SDGs and thereby find greater alignment and synergy with the government and other key stakeholders.

For government initiatives, we analysed the latest national plans, policies and programmes to determine

national priorities for sustainable and inclusive development. We also examined SDG sub-indicators in order to pick out the worst-performing indicators, gaps in these areas and initiatives that have put in place to solve the problem.













Social economy development

















To overcome the issue of limited data availability, we adopt the Harvey ball methodology to assess the stages of development for key factors constituting a social economy including SPOs (demand for social investment), investors (supply of social investment), intermediaries (organisations that support investors and/or SPOs) and enablers, including the policy













environment and partnerships. A simple 1- 4 scoring method is used to uniformly quantify the status of each factor so that relative comparisons can be made.

Each factor has a total of 4 scenarios depicted by the 4 Harvey balls equivalent to ratings from 1 to 4.

These scenarios have been delineated based on the typical progression of the different factors in the Asian context. The framework has been adapted from BCG's SE maturity framework, Monitor Institute's definitions, Acumen's early-stage impact investing, Toniic's framework, and AVPN's analysis.

CATEGORY	FACTOR	RATING
SPOs	Presence, size and maturity	 Low presence of non-profits organisations and SEs (relative to the other 13 Asian markets). The majority are in early stages.
		 Average presence of non-profit organisations and SEs (relative to the other 13 Asian markets). The majority are relatively established and creating discernible social impact.
		 High presence of non-profit organisations and SEs (relative to the other 13 Asian markets). Many are financially sustainable, with evidence of raising equity investments.
		 High presence of non-profit organisations and SEs (relative to the other 13 Asian markets). Many have reached regional or national scale, with a relatively high number of equity investments made.
	SEs' sectoral presence	 The majority of SEs focus on job creation and basic social services such as education and health care
		 The above plus presence of SEs in proven models such as microfinance and energy
		 Diverse SE operations in an array social and environmental issues
		 A holistic range of products and services targeting both the bottom of the pyramid and the environment in urban and rural areas
Investors	Philanthropic contributions	 Evidence of philanthropic contributions and/or religious giving
		 Evidence of sustained, well-managed institutional philanthropy
		 Evidence of informed and collaborative philanthropy to multiple causes with diverse tools
		 Informed and collaborative philanthropy with diverse tools and innovative approaches

CATEGORY	FACTOR	RATING
Investors	Managed funds	 Presence of social investment with no clear classification of investors
		 Presence of managed funds with evidence of investments
		 Presence of international and local funds with diverse financing instruments
		 Presence of international and local funds with diverse financing instruments, co-investment and/or innovative approaches
	Corporate sector	 Corporate donations, volunteerism, compliance-based CSR and few examples of strategic CSR
		 Evidence of strategic and sustained CSR across multiple causes
		 Evidence of strategic and sustained CSR, support for SEs, sustainability reporting
		 Evidence of shared value, support for SEs, sustainability reporting with innovative approaches/partnerships
Intermediaries and Enablers	Policy environment	 Neutral policy environment with no recognition or targeted support for the social economy
		 Friendly policy environment with basic recognition and support for the social economy
		 Enabling policy environment with multiple incentives to develop the social economy
		 Strong policy support to build an effective social economy in the form of legislation, incentives, incubation and acceleration
	Incubators, accelerators and capacity builders	 Presence of social incubators, accelerators and capacity builders for SPOs offering co-working spaces and basic coaching
		 Presence of social incubators, accelerators and capacity builders for SPOs offering access to expertise
		 High presence of social accelerators and capacity builders for SPOs with sustained access to expertise, networks and seed funding
		 The above plus ecosystem support through partnerships with other stakeholders

CATEGORY	FACTOR	RATING
Intermediaries and Enablers	Networks and platforms	 Evidence of convenings of social economy stakeholders
		 Presence of formal networks and/or platforms dedicated to social economy stakeholders
		 The above plus presence of cross-sectoral platforms
		 High presence of formal networks and platforms that convene multiple sectors plus a variety of events to raise public awareness of the social economy
	Knowledge and research	 Availability of landscape mapping
		 Regular landscape mapping with some quantitative data
		 The above plus social economy research across a variety of topics and availability of courses on social entrepreneurship
		 Regular landscape mapping, social economy research across a variety of topics and availability of formal social entrepreneurship programmes
	Partnerships	 Evidence of partnerships between two entities
		 Presence of multi-stakeholder partnerships and collaborations between the government and social economy actors
		 The above plus presence of a pooled fund and/or co-investment
		 The above plus presence of innovative partnerships such as collective impact and impact bonds



ABOUT AVPN

AVPN is a unique funders' network based in Singapore committed to building a vibrant and high impact social investment community across Asia. As an advocate, capacity builder, and platform that cuts across private, public and social sectors, AVPN embraces all types of engagement to improve the effectiveness of members across the Asia Pacific region.

OUR MISSION

The core mission of AVPN is to increase the flow of financial, human and intellectual capital to the social sector by connecting and empowering key stakeholders from funders to the social purpose organizations they support.

With over 500 members across 32 countries, AVPN is catalysing the movement towards a more strategic, collaborative and outcome focused approach to social investing, ensuring that resources are deployed as effectively as possible to address key social challenges facing Asia today and in the future.

Visit us at: www.avpn.asia
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