

# ChangeFusion

## Supporting Young Social Entrepreneurs in Thailand

<http://www.changefusion.org/>

### Background

Young people ages 15 to 24 comprise 16 % of the total population in Thailand and 28.5% of the total labor force. Youth unemployment rate among ages 15-24 is 5 %, relatively low when compared to the average of 16.9% in Southeast Asia and the Pacific and 7.8 % in the East Asia, partly as a result of less youth entering the workforce at the early age.

However, youth unemployment rate in Thailand has been consistently two to three times higher than those of adults during 1995-2005, and in 2006, the share of youth to the total unemployed was among the highest in the region at almost 50 percent.

Government has been promoting self-employment and small entrepreneurship in successive National Economic and Social Development Plans as one of the measures to reduce youth unemployment.<sup>1</sup> However, youth still face many obstacles when starting up a business, and youth entrepreneurship and self-employment among youth has remained constant at 30 percent during the last two decades. Studies have found that further efforts are needed to improve the availability of adequate business education and to provide start-up grants for sound business proposals and facilitate access to low-or no-interest “soft loans” for young entrepreneurs, particularly those from more disadvantaged backgrounds. (*Thailand Social Monitor on Youth*, World Bank 2008).

### About ChangeFusion

ChangeFusion, formerly known as Thai Rural Net (TRN), was founded as a student group in 2001 for the World Bank’s Development Marketplace (DM) held in Thailand. The group has grown into a professional organization focusing on creating high-impact, sustainable and scalable solutions to address social and environmental challenges, such as poverty alleviation and climate change.

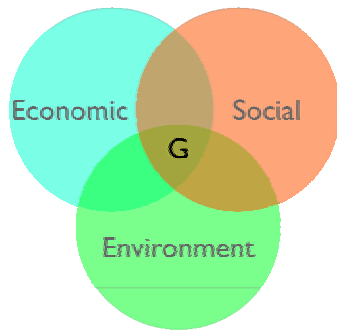
ChangeFusion specializes in supporting young social entrepreneurs in Thailand and in the region by providing technical assistance, mentorship, startup financing, and by facilitating networking. Inspired by our experience with the Bank’s DM, our goal is to provide similar opportunities to other young people using innovative schemes in a more comprehensive manner.

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<sup>1</sup> Youth self-employment is stated for the first time in the Ninth National Economic and Social Development Plan (2002-2006) - “Promote self-employment and small-scale business by encouraging the unemployed, especially those holding vocational and undergraduate education, to become self-employed, or start a small-scale business. They should receive training in business management, finance, marketing, and relevant laws.” (available at [http://elibrary.nesdb.go.th/elib\\_book/plan9E/F02.pdf](http://elibrary.nesdb.go.th/elib_book/plan9E/F02.pdf)).

Young social entrepreneurs we are supporting are those under 35 years old who are leading social enterprises that innovatively solve social or environmental problems while creating sufficient income for sustainable growth.

### ChangeFusion’s Unique Approach



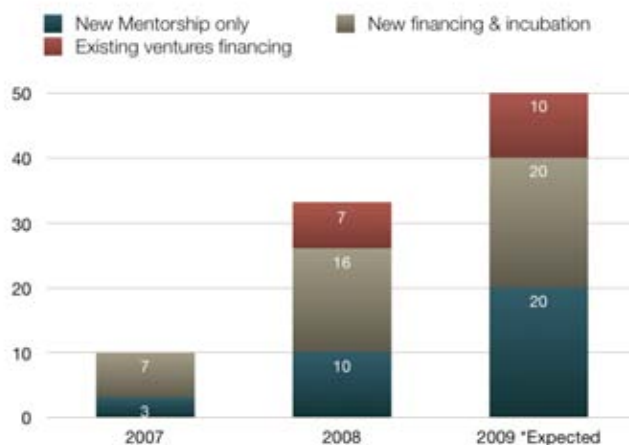
The uniqueness of the model lies in identifying and supporting directly the youth social enterprises at a very early stage when the business is still highly risky. Young social entrepreneurs perceive the external support at this stage exceptionally valuable as this is the most critical stage in determining the most effective business model to deliver highest social impact with strong financial sustainability. ChangeFusion mitigate the risk and identify potential ventures by organizing our own regional social venture competitions and by partnering with organizations in different countries. The organization is

providing financial support through a combination of grant and equity investment. By supporting young people from the early stage also helps the organization to develop trust and close partnership with the youth ventures.

The organization is also unique in exploring the niche in the market in which social/environmental returns and financial returns are self-reinforcing. (In the figure, the intersection of social, environment and economic returns circles indicates the ‘Great Spot’ which is the focus of our organization.) For example, social ventures we support have developed highly efficient, energy-saving, clean technologies which have proven profitable and environmentally friendly.

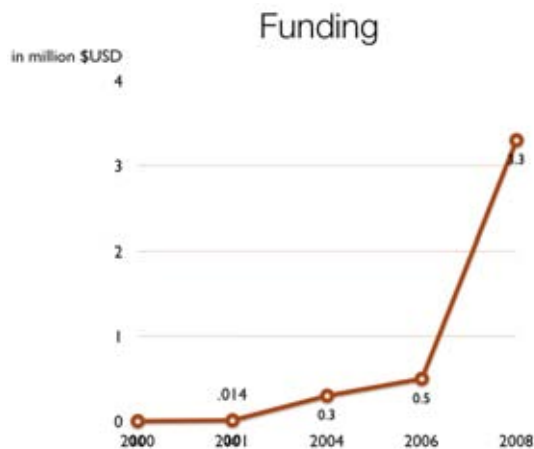
### Our Achievements

Social enterprise investment service numbers



In 2008, ChangeFusion is servicing 33 youth social enterprises in Thailand, Malaysia, Timor Leste, Philippines, India, Bangladesh and Pakistan. 23 of them received incubation and financial support while 10 of them received mentorship and virtual incubation support. The financial support ranges from 5,000 to 100,000 USD per venture, with the average of 15,000 USD for startups and 50,000 USD for first-round scale up per venture.

## Funding



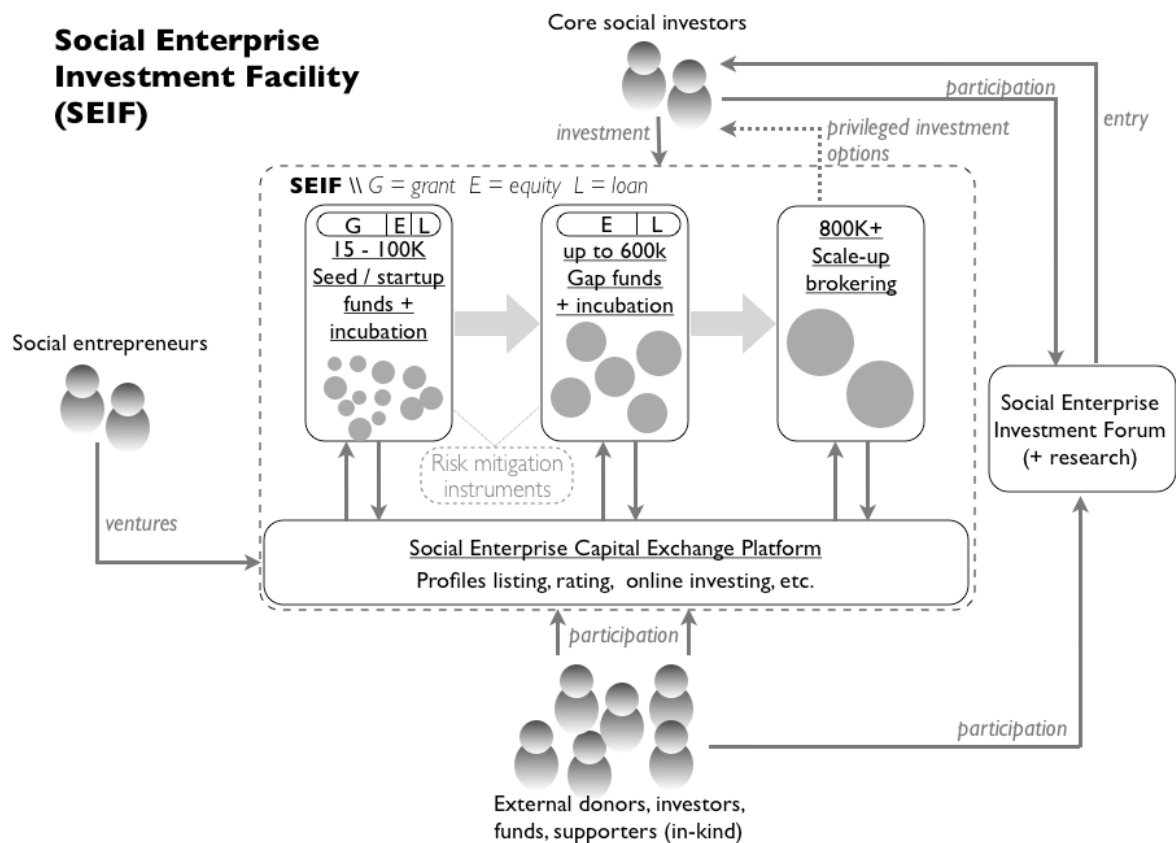
The annual funding committed for ChangeFusion (both through social innovation design and investment services) has increased to 3.3 million USD in 2008 from 14,000 USD Development Marketplace Prize in 2001, growing in scale by 230 times the initial investment size. The reason for the jump from 0.5 million in 2006 to 3.3 millions USD in 2008 was primary due to the internal restructuring from semi-volunteer into fully professional organization in 2007 as well as the launch of social innovation design, consultancy and investment facilitation services in the same year.

## Challenges and Moving Forward

There are still many young social entrepreneurs in the region that are neglected by traditional investors and donors. Our future challenge is to scale up our operation in the region with increased collaboration with donors and social investors by:

- (1) Identifying and assembling a list of actively committed youth social enterprises in the region and their potential supporters and social investors.
- (2) Mobilize partnerships between social investors and financial institutions to create the Social Enterprise Investment Facility (SEIF) to systematically channel social investment to early stage social enterprises both through grant and non-grant finance.

The basic idea of SEIF (see figure below) is to create an investment ecosystems that attract high quality social enterprises that can be developed and scaled-up by moving through various funds and brokerage facilities from early stage while making sure that the basic investment information is listed and made available to external donors and social investors through information platform. This would help keep them informed as potential co-investors providing financial support or negotiate special co-investment arrangement with other potential investors.



(2.1) The model is similar to the South Africa's Social Investment Exchange (SASIX).

(2.2) The non-grant investment such as loan and equity which focuses on scalability can be channeled through setting up of various investment vehicles such as social venture capital fund or direct brokering. Although there is still a strong need of grant funding for social enterprises at a very early stage (as the risk is generally too high for non-grant social investors), the social returns are expected to be much higher compared to other investments.

(2.3) All investment cases and transactions are listed on Social Enterprise Capital Exchange Platform that serves as information portal for other social investors who are interested in participating in the market.

(2.4) Organize Social Enterprise Investment Forum that brings together social entrepreneurs, social investors, CSR departments, development agencies and other related professionals to learn, share experience and foster collaboration among them to create social enterprise investment market in Asia.

(2.5) Another important area is to create risk mitigation mechanism in order to attract more non-grant social investors to commit more funds such as guarantee instruments through peer-insurance (where each of the portfolio companies commit small percentage of their capital raised to insure each other for partial default risk) or finding institutions that are willing to put commitment option to cover part of portfolio's default risk.

The challenge for us to setup such facility lies in building trust between ChangeFusion, potential supporters of the facility, and social investors who could be the major players in the system. ChangeFusion is still a very young organization and, therefore, need recognized trust brokers such as developing banks to champion the concept in order to develop strong partnership with other major stakeholders. Also mobilizing the partnership in piloting the system on a small scale is also crucial in fine-tuning the concept and to create a joint learning environment among facility partners.

(3) Create youth social enterprise incubation network in the region through partnering with universities' business incubation programmes, CSR programmes of business & financial service industry and other interested groups.

### **Young Social Entrepreneurs Portfolio**

To date, we have supported 33 youth social enterprises in South and South East Asia regions. Here are two cases from Thailand;

Grassroots Innovation Network (GIN) - Empowers farmers in the Northeast of Thailand with appropriate organic grassroots technologies such as drip irrigation, earthworm fertilizer, micro fish pond which have improved productivity by over 400%. It is now serving over 500 farmer families that apply such method. Its main challenge is in creating a sustainable, commercial-based network which would allow the expansion of technology to thousands of families.

OpenDream - Provides web-building services to non-profits in Thailand. It not only creates websites for non-profits but also creates various web applications such as online database systems and mapping applications for collaborative social works in Thailand. One example is a blood bank pledge system which is the biggest online health promotion library. It has a hybrid business model that charges the market rates for large NGOs while subsidizing small nonprofits that cannot afford proper web-building work. Its main challenge is to find young capable IT professionals who are willing to take less than a market rate in exchange for meaningful work.