



HM Government

# Social investment: the UK as a global hub 2016 international strategy

# Introduction

This strategy is an annex to the [Social investment: a force for social change 2016 strategy](#).

During the last parliament, we established the UK as a global leader in the field of social investment. We will continue to work across the Cabinet Office, UK Trade and Investment, the Foreign and Commonwealth Office, the British Council and the Department for International Development to maintain our position as the best place in the world to run a social business or be a social investor.

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The social mission at the heart  
of Jamie Oliver's Fifteen helped  
create a world-famous business.

— JAMIE OLIVER'S —  
**FIFTEEN**  
ESTD 2002



Jamie Oliver's Fifteen trains hundreds of  
disengaged young people to become successful  
chefs. For a business environment that supports  
social enterprises, choose the UK.

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*Jamie Oliver*  
Founder of Jamie Oliver Food Foundation

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# Chapter 1: Developing the UK as a global centre for the social economy

## The UK is leading the world in developing a more social economy

- 1.1 The UK is recognised as having one of the [world's most developed social economies](#).
- 1.2 There are increasing flows of capital travelling through the UK market place, which has the world's first [social investment wholesaler](#) and [social investment tax relief](#). The UK has a vibrant and growing sector of social ventures demanding this capital, making up around 20% of small and medium sized enterprises and employing more than 2 million people. And, supporting all this, the UK also houses the world's most advanced social investment expertise and thought leadership. Our specialist legal, accountancy and financial intermediaries are among the best in the world. Alongside this, the UK benefits from unprecedented direct government intervention to ensure that the market continues to strengthen and grow.

### What this means in practice: international investment in the UK market

[Ananda Ventures](#) is one of the leading venture capital investors for social ventures in Europe. Based in Germany, it invests in social change in high-growth companies based in Europe.

Through its Social Venture Fund, Ananda Ventures invested in London-based [Third Space Learning](#) to address issues with maths attainment, and the social attainment gap, in UK schools. The investment was used to accelerate growth in the UK, increase investment in its platform and grow the number of teaching centres it operates around the world.

## Interest in this field is growing around the world

- 1.3 Appetite for this market is not unique to the UK. Experience of successful UK social economy trade missions and the findings of the [G8 Social Impact Investment Taskforce](#) suggest clear evidence of a global social investment market. A recent snapshot of investment funds and products listed on [ImpactBase](#) showed that, from 2014 to 2015, there was an increase from 310 to 355 listed funds and products, which increased from \$16.7 billion to \$30 billion in assets under management.<sup>1</sup> A recent global survey of investors found that respondents had committed \$10.6 billion to social investment in 2014 and intended to invest 16% more – \$12.2 billion – in 2015.<sup>2</sup>

1 [ImpactBase Snapshot, 2015](#)

2 [J.P. Morgan and Global Impact Investment Network, Eyes on the Horizon, 2015](#)

### What this means in practice: Mexico's rapidly growing social economy

It is estimated that 60,000 organisations across Mexico are part of the social economy, employing about 28% of the national labour force. Recent estimates from social investment funds in the country also suggest that there are more than 300 organisations dedicated to raising funds for social entrepreneurs. There are also some estimates that private investment funds could reach £10 million for socially responsible projects. Mexico has expressed a lot of interest in learning from the UK market, in particular around how it can develop specific products such as social impact bonds.

## The UK is in a prime position to capitalise on this opportunity

- 1.4 The UK's rapidly developing social economy has led to active international interest in doing business here. Overseas pension funds, insurance funds and high-net-worth investors are investing in UK social investment funds. Some 30% of entrepreneurs going through the UK's leading social technology incubators come from outside the UK, attracted to UK support schemes and market opportunities. According to the State of Social Enterprise Report, an estimated 14% of UK social enterprises export their products and services (or license their products) outside the UK.<sup>3</sup>
- 1.5 This is all supported by the UK's leading international financial sector, with access to an unrivalled concentration of international firms providing capital and professional advice. Much also derives from the UK's expertise in international development; for example, the Department for International Development's Impact Programme, which includes the £75 million [Impact Fund](#), to strengthen social economies across the developing world.
- 1.6 Both the UK Government and industry are keen to cement the UK's position as a global centre for the social economy. Capitalising on international interest and harnessing a percentage of the global market share would contribute to UK economic growth, help to tackle some of society's most deep-rooted issues, improve public services and increase innovation in the UK.

### What this means in practice: Bank of America Merrill Lynch (BAML) invests in the UK market

Recognising the arts sector as critical to the social and economic development of communities, BAML invested in the [Arts Impact Fund](#) in 2015. This innovative fund is structured with philanthropic, government and corporate funding, aimed at arts organisations that are delivering artistic and social impact. BAML was able to offer financial support to the fund, as well as proven global experience in social impact investing.

- 1.7 To date, departments and government bodies have led successful pieces of work to drive the commercial promotion of the UK market. These have included:
- UK Trade and Investment (UKTI) [campaigns](#) and trade missions to the USA, China and Italy to promote commercially the UK's social economy
  - The British Council's [Business and Investment Readiness Programme](#), which seeks to export the UK social economy expertise to the developing world
  - Foreign and Commonwealth Office (FCO)-led research into foreign markets' appetite and opportunities for the UK's social economy
  - The Department for International Development (DfID)'s [Impact Programme](#), which is seeking to commercially export successful UK investment readiness models to developing markets
  - Cabinet Office-led initiatives to share and learn from social investment knowledge and lessons across the world, such as the [G8 Social Impact Investment Forum](#)

#### **What this means in practice: a commercial deal from the New York trade mission**

As a result of a UKTI-Cabinet Office-led social economy trade mission to New York, one organisation is structuring a deal which will be the first time a UK charity has raised social finance from the USA. The bond will be finalised in 2016.

The UK has the world's most advanced investment market for social enterprises.

With its highly supportive business infrastructure, the UK's social economy leads the world. For your next social investment, choose the UK.

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UK Rainforest Biome*

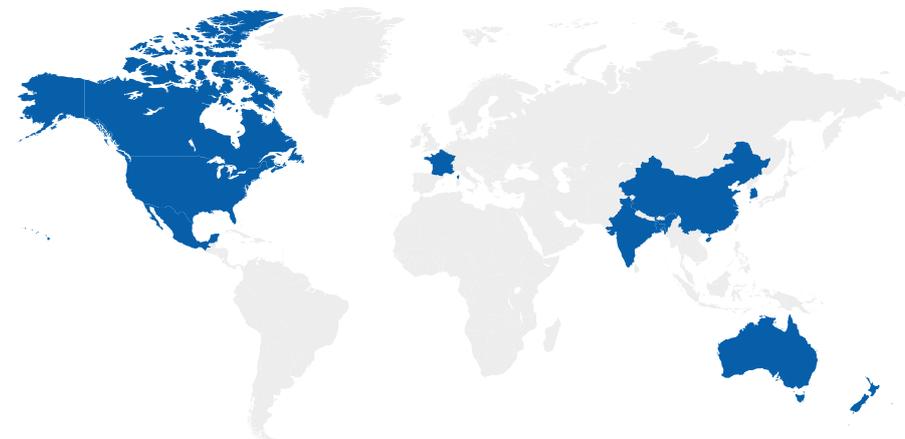
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## Chapter 2: Supporting market growth in 2015-16

To capitalise fully on the opportunities, the UK is developing a comprehensive cross-government international strategy

- 2.1 Alongside industry and the social sector, the Government can help to promote the UK as the most attractive social economy in the world.
- 2.2 Cabinet Office, the British Council, UKTI, FCO, and DfID have co-ordinated policy and communications to bring together our strategy to maintain the UK's lead in this field. To achieve this, we aim to work with the sector to:
  - Increase international social investment to the UK
  - Increase international social ventures to the UK
  - Increase the export of UK social investment businesses and social ventures
  - Learn from successful innovations and lessons occurring in other countries' developing social investment markets
- 2.3 Based on the evidence to date of where the biggest opportunities are for the UK, we will focus the next stage of work on ten key markets. These are in the Americas (the USA, Canada and Mexico), Asia (China, South Korea, India and Bangladesh), Australasia (Australia and New Zealand) and Europe (France). This will be complimented by support programmes in a growing number of countries to develop their social economies.



- 2.4 With the implementation of this strategy to be co-ordinated and facilitated by the British Council, we will work to achieve the following success measures over the next Parliament:

## Increase international social investment to the UK

- 2.5 For UK social investment funds to be attractive, investors and their advisers need to be aware of them and understand their benefits. We will therefore work to attract and sustain a high-quality pipeline of inward investment where international investors have social investment funds structured and managed here, and global foundations use the UK as an innovation lab by investing in UK domestic products.

### What this means in practice: social angel investing

Willemijn Geldorp, originally from the Netherlands, is an angel investor who only invests in social ventures, with a particular focus on supporting businesses to scale their social impact.

Willemijn [invested in the UK-based eyewear company](#) Eyejusters. Because of a lack of trained optometrists, over 670 million people in the developing world can't see clearly. Eyejusters produces glasses, both for the developing and western developed worlds, that users can simply adjust to suit their own eyes.

- 2.6 We will promote the UK social investment market abroad through:
- A dedicated [social economy](#) GREAT Britain campaign in targeted markets
  - Launching and promoting a dedicated international [social economy micro-site](#)
  - Hosting conferences, targeted roundtables and policy dialogues
  - Targeted messages to high-value individuals from overseas to familiarise them with the opportunities
  - Embedding awareness of social investment opportunities into UKTI's existing activity to be promoted in markets to relevant investors
  - Disseminating UK market information through international investor networks such as [AngelList](#), a website for both startups and angel investors
  - Working with selected social economy ambassadors in targeted markets to promote the UK social investment market
  - Conducting research in international investor appetite for investing into the UK market

2.7 We will promote UK social investment opportunities at home through:

- Hosting foreign delegations and study tours
- Linking social investment opportunities with wider investment campaigns
- Including social investment on the agenda of relevant UK trade delegations

Indicator of success: to increase the value of international social investment deals as part of the Government's wider objective of increasing international investment to the UK.

## Increase international social ventures setting up in the UK

2.8 For the UK to be attractive for overseas ventures, there needs to be an enabling market environment with supportive structures in place. We will work to attract and sustain a high-quality pipeline of social ventures that set up in the UK from abroad.

### What this means in practice: social enterprises expanding to the UK

**Ai-Media** is a for-profit social business, originally starting in Australia providing captions for broadcast TV and video to support people with deafness. Ai-Media now supports students in mainstream schools, universities and adults in the workplace. This success has led to it being developed for children and young people with many different needs both in Australia and in the UK.

Ai-Media decided to expand to the UK as they saw an appetite for this kind of business, and the right support to help them grow. Since being in the UK they have taken on social investment, to help broaden access to their innovations and assist more people.

2.9 We will strengthen social venture education in universities through:

- Supporting overseas work-study programmes, such as the British Council's [Students for Social Impact](#) programme
- Building social ventures into graduate programmes
- Promoting joint research and collaboration on social venture education between UK and foreign universities in East Asia, South Asia and the Middle East and North Africa

The social enterprise  
turning old fire hoses into  
designer luxury goods.



Elvis & Kresse's range of designer accessories saves tonnes of waste from landfill and gives 50% of profits to the Fire Fighters Charity. For social enterprises with a creative edge, choose the UK.

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*Elvis and Kresse*  
Accessories made from reclaimed materials

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2.10 We will increase the awareness of UK opportunities for overseas social ventures through:

- UKTI's [Global Entrepreneur Programme](#) continuing to support world-class social entrepreneurs to set up in the UK, when they have the potential to promote innovation and create growth
- A dedicated international [social economy micro-site](#) that includes information about setting up and investing in the UK.
- Conducting research into the appetite of different countries for social entrepreneurship and incentives needed, and the barriers to be overcome for entrepreneurs to relocate

Indicator of success: to increase the number of social ventures setting up in the UK.

## Increase exports of UK social products and services

2.11 UKTI research shows that exporting helps a business to grow, reach higher levels of financial performance and gain access to new ideas through exposure to international markets. Exporting also supports businesses to have greater resilience. We will therefore work across government and with industry partners to ensure that the right support is in place to increase UK exports of social products and services.

### **What this means in practice: exporting social investment professional services**

Bridges Ventures is a private equity investment manager with offices in London and New York. Founded in 2002, Bridges now has more than \$900 million under management and is entirely dedicated to sustainable and impact investing. After proving the viability of an impact-led approach across a platform of different funds in the UK, in 2014 Bridges expanded its operations to the USA, where it has seen a growing demand for its specialist services.

2.12 We will promote the UK's social investment professional services, products, fund structures and social ventures abroad through:

- A targeted social economy GREAT Britain campaign
- Weaving social ventures into relevant trade missions
- Including first-time exporting social ventures among those applying for live opportunities hosted on the [UKTI exporting platform](#)
- Dedicated programmes such as the British Council's [Business and Investment Readiness programme](#), and DfID's [Impact Programme](#) (2016-2018)
- Building on research to better understand barriers to export for the UK social economy, such as the British Council's [Exporting Social Enterprise](#)

2.13 We will disseminate information on the Government's support for export to social ventures in the UK social economy through:

- Making businesses aware of the Government's services to support exporting, such as UKTI's [Overseas Market Introduction Service](#) and UKTI's [Aid Funded Business Service](#)
- Partners hosting targeted events around the UK on the UKTI export truck
- Raising awareness of the UK's social economy among UKTI business advisors

Indicator of success: to increase the numbers of social investment firms and social ventures exporting as part of the Government's wider objective of creating 100,000 new exporters and creating £1 trillion of export value by 2020.

## Capture learning from successful innovations and lessons from other countries' social economies

The growing international social investment market provides us with the opportunity to maximise the effectiveness of the UK domestic market. The UK is well placed to learn from other countries' developing social investment markets. We will therefore gather lessons and successful innovations from other countries that are developing their own social investment markets to ensure that UK market growth is robust and sustainable.

2.14 We will gather market intelligence through:

- Asking foreign posts to report on any research and experiences in the social economy
- Producing in-depth mapping studies of the social economy landscape in a number of countries
- Hosting policy dialogues featuring UK experts exchanging best practice with local counterparts
- Capturing learning from in-country social economy programmes, for example China's Social Investment Platform
- Driving and supporting international platforms and programmes that share lessons and best practice such as the [Global Social Impact Investment Steering Group](#) (previously the G8 Social Impact Investment Taskforce), and the [Global Social Entrepreneurship Network](#)

Indicator of success: for the UK market to adopt successful interventions that have been tested abroad.

The social enterprise that  
creates artistic hubs to  
regenerate communities.



Wasps Studios redevelops abandoned historic buildings into beautiful facilities for artists and charities, attracting jobs and improving local communities. For social investments with a creative edge, choose the UK.

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*The Briggait Building*  
Wasps artists' studios, Scotland

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