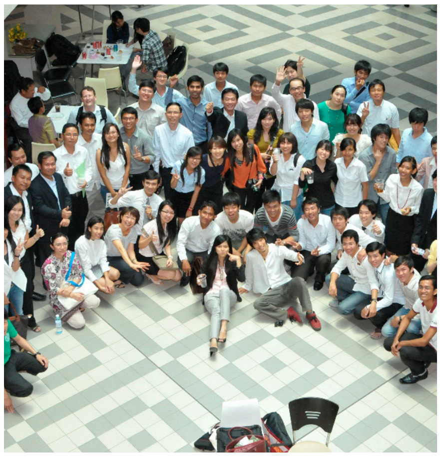
ARUN



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"The traditional framework of international development assistance, in which wealthy countries support poor countries, is not sustainable, either in a sense of partnership, or concept of ownership. That's why we need social investment in the field of development assistance," says Satoko Kono, the founding president of ARUN.

ARUN was established as a social investment fund in December 2009 by Satoko Kono and ten other partners. ARUN, which means "dawn" in Khmer, started with 16 million yen ($206,000) of seed capital, and went on to raise a further 62 million yen ($791,000) from corporate and individual investors. By July 2012, it had invested in four Cambodian social enterprises. ARUN is unusual as a social investment fund because of its international development focus, as well as a partnership model that raises small funds from a large number of investors.

Satoko started her career as a researcher in a pharmaceutical company and later she joined Asian Rural Institute, an NGO that cultivates leaders in agricultural and community development in rural Asia and Africa. After that, she worked in Cambodia from 1995 to 2005. "I initially thought I would be staying in Cambodia for two years, but I ended up staying for 10," Satoko recalls. She has worked for a number of projects with Japanese NGOs and JICA in collaboration with local non-profit leaders, which helped her see the potential of local entrepreneurs in development, as well as the importance of social investment to support them.

At the end of 2008 when she returned to Japan after studying for her M.Sc. degree in London, Satoko received an email from Yang Saing Koma, the president of CEDAC the Cambodian non-profit she had known in Cambodia.

CEDAC helps local organic rice farmers by purchasing their produce for sale on the international market. In 2008, however, an investor withdrew a planned investment because of the financial crisis, and CEDAC needed to find an alternative funding source to fill the gap to purchase organic rice from the farmers. Responding to Koma's request, Satoko established Social Investment Fund for Cambodia (SIFC) in February 2009 and provided him with an investment of 2 million yen ($21,000) raised from 33 investors. "Koma is a rather reticent person, however, he has an outstanding capability to execute projects," says Satoko, "In my 10 years in the country, I have never seen a person like him among any other Cambodian non-profit leaders.."

SIFC was supported by highly skilled Japanese volunteer members with a wide range of expertise – including consulting, banking, corporate finance, microfinance and the social sector.

SIFC was restructured into ARUN as a limited liability company in December 2009, with the vision to "creating a society that brings every person's ability into full play regardless where he or she is born". Arun's strategic target group is the 'missing middle' of the investment market in developing countries. They believe that investment with social impact most benefits the local economy and people. In Cambodia, large companies and micro enterprises are financed by conventional investors and microfinance organisations respectively. However, there is a lack of financial services available to small and medium-sized companies, which have an unrealised potential to develop socially impactful business models.

ARUN provides investment services to selected social businesses. ARUN screens the investment proposal by assessing its social impact as well as conventional business criteria, such as returns from investment, business models, governance, leadership and financial status. Besides making investments, ARUN holds seminars and workshops in Japan and Cambodia for the general public to learn about social investment, as well as organises study tours to Cambodia.

Partnership is at the heart of ARUN's business model. Each ARUN partner gives 0.5 million yen ($6,400) as a unit of investment to join the organisation, in addition to volunteering their time. ARUN has three full-time staff, including Satoko, in Tokyo and one in Cambodia to support the investees' business operations. "In this phase of organisational development, we need talented partners who enjoy helping build new organisations in a challenging environment. The partner's commitment and engagement is critical for ARUN," says Satoko. "The more a partner commits, the more he or she can learn from the activities, and enjoy the process of activities as part of a positive cycle. Nothing is more exciting than ARUN's environment, where partners can work on different challenges with the chance to make things better, and with great people who have a common goal," she adds.

ARUN has four companies in its current portfolio of investees, including CEDAC, Arjuni International Ltd., Perfexcom and Frangipani Villa Co, Ltd.

Arjuni is a fair-trade beauty product enterprise founded by Janice Wilson in 2009 to manufacture and sell hair extensions. Arjuni sources hair from rural women, manufactures them into hair extensions at its factory in Phnom Penh, and then sells the products online to customers in the U.S. and Europe. Arjuni enhances the self-sustainability of vulnerable, low income women through job creation. Ninety-five percent of its 87 employees are women, many of whom are orphans or victims of human trafficking. By purchasing hair directly from the women themselves at a fair price, Arjuni helps promote the empowerment of Cambodian women. Moreover, Arjuni pledges to donate ten percent of profit to local non-profit organisations that work for human trafficking and prostitution issues.

One challenge for ARUN is its own financial sustainability. Today ARUN is supported by over 80 individuals and one corporate investor. ARUN also receives grants from foundations and income from the Japanese government for research on bottom-of-the-pyramid markets, which cover a part of overhead costs.

However, to make ARUN's business model sustainable from investment, the size of assets needs to be at least 300 million yen ($2.5 – 3.9 million). Based on present membership fees, ARUN would need around 500 partners. It would therefore be challenging to manage such a large pool of partners using the present membership model.