Bangladesh Social Enterprise Project (BSEP)
Policy Brief
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Bangladesh Social Enterprise Project (BSEP)

1. Introduction

The Bangladesh Enterprise Institute (BEI), an independent non-profit research centre, in association with The Foundation for Development Cooperation (FDC) based in Australia and Libra Advisory Group based in the UK has initiated the Bangladesh Social Enterprise Project (BSEP), supported by the British Government’s Department for International Development (DFID). This project aims to utilize key strengths of the private sector to address some of the poverty related issues of our country. The project purpose is ‘to identify and build innovative partnerships within the private sector to undertake projects and programmes which are commercially viable and directly benefit the poor in alleviating poverty and at the same time, meet the development objectives of Bangladesh.’ Further details and resources are available at http://www.socialenterpriseportal.org/

This paper aims to record some of the lessons from the project and identify policy implications and opportunities for the Bangladeshi Government, donors and social entrepreneurs.

2. Definitions

There are numerous definitions of social enterprise and the related concepts of social business and social entrepreneurship. The debate is particularly lively in Bangladesh. For Professor Mohammed Yunus\(^1\), a key element of social business is that investors receive only their original investment back, without additional dividend or capital return. Professor Rehman Sobhan\(^2\) focuses on ownership of enterprises, arguing that a significant portion of equity in a social business should be owned by poor people, in particular employees. BRAC\(^3\), founded by Sir Fazle Hasan Abed, operates a hybrid model which combines conventional development, health and education programmes with social enterprises and more commercial activities such as BRAC Bank\(^4\).

\(^1\) http://www.muhammadyunus.org/Social-Business/
\(^2\) http://www.cpd-bangladesh.org/about/rs.html
\(^3\) http://www.brac.net/
\(^4\) http://www.bracbank.com/
The Bangladesh Social Enterprise Project (BSEP) took a deliberately agnostic view of the debates around ownership, legal structure and dividends, believing that different social enterprise opportunities may benefit from different approaches. We believe that a more useful definition is supplied by Professor Jose Santos of INSEAD business school in his paper ‘A Positive Theory of Social Entrepreneurship’\(^5\). His definition makes clear the economic role of social enterprise and clarifies how it relates to conventional commercial activity, charities, Governments and social activism.

Santos argues that conventional business focuses on value creation followed by value appropriation. However there may be situations where positive externalities are created, where a business could create significant value but be unable to appropriate it. These sorts of activities would tend to be under-supplied by the market as business people would have insufficient incentive to do them. Whilst Government may seek to correct such market failures, it often will not do so on behalf of groups which lack power or representation. The opportunity for social entrepreneurs therefore arises from a combination of market and political failure, and a social enterprise is defined as an activity which focuses *primarily* on value creation rather than value appropriation.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Governments</th>
<th>Business</th>
<th>Charity</th>
<th>Commercial Entrepreneurship</th>
<th>Social Activism</th>
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<tr>
<td>Direct Role in Economic System</td>
<td>Centralized mechanism through which the infrastructure of the economic system is created and enforced (and public goods provided)</td>
<td>Distributed mechanism through which society's resources and skills are allocated to the most valued activities</td>
<td>Distributed mechanism through which economic externalities are not captured by profit are explored</td>
<td>Distributed mechanism through which neglected social opportunities for profit are exploited</td>
<td>Distributed mechanism through which neglected positive externalities are internalized in the economic system</td>
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<td>Dominant Institutional Goal</td>
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<td>Dominant Logic of Action</td>
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BSEP: Policy Brief
It should of course be noted that conventional business can create significant value and will always play a major role in economic development, by creating value for customers as well as employing and training individuals and paying tax. Social enterprises should not seek to replace conventional business, and Government policy should not incentivise them to do so; instead social enterprise should occupy the distinctive gap where it is possible to create value through commercial-style activity but where the incentives are insufficient for conventional business to play a significant role.

**Figure 1: Domains of Action for Economic Activity**

The Bangladeshi context

Bangladesh is a noted leader in social enterprise. Organisations including Grameen and BRAC are long-standing innovators in the market and are beginning to export their expertise to other developing countries. More generally, the Bangladeshi economy grows at approximately 6% per year, primarily through private sector growth rather than from natural resources, and whilst this figure could perhaps be increased to 8-9% it is not clear that the economy could accommodate significantly higher growth levels than that. It is apparent then that there is no fundamental policy failure in Bangladesh. Social enterprises and conventional businesses are
able to start and grow at a rate much faster than comparable developing countries. The policy emphasis should therefore simply be to remove the remaining barriers to social and conventional entrepreneurship, to ensure that the benefits of growth are delivered to marginalised people, and to ensure that growth is economically, socially and environmentally sustainable. The level of private sector activity can probably not grow much faster, what is required is a greater quality of activity which directly targets equitable and sustainable economic and social development. Social entrepreneurship can significantly contribute to such an objective.

3.0 The Barriers to Social and Conventional Entrepreneurship

Access to credit: Micro-credit was invented specifically to solve the fundamental market failure that poor people lack collateral and therefore lack access to loans for investment, locking them into activities which create little value. Additionally, the transaction costs of making and securing the repayment of small loans to dispersed customers are typically too high to be attractive to a conventional bank. Organisations such as BRAC and Grameen have made significant progress in overcoming these barriers and micro-credit is now a well-established activity. More recently, social entrepreneurs have recognised a “missing middle”- the small enterprises which are too large for conventional micro-credit but too small for conventional bank borrowing or issuing equity. Such small enterprises are essential for job creation and organisations such as BRAC are developing finance products to suit their needs.

Access to other finance products: The growth in credit can be dangerous to individuals if it is not accompanied by growth in access to other financial products, in particular insurance. Small-scale entrepreneurs risk facing uninsured risk if they borrow to invest in a business which then fails through some external problem such as weather or crop failure. Informal village-level mutual insurance rarely works as each member of a village typically faces identical risks – for example a flood in a village would tend to affect each member of a mutual insurance scheme simultaneously. Poor people also often lack the ability to save money securely and at a
reasonable rate of return, meaning that they rarely amass sufficient capital to invest in value-creating activities. Micro-credit organisations need to continue to expand their offerings of micro-insurance and micro-savings.

*Access to basic skills:* Thanks to the micro-credit movement, our survey and consultations indicated that access to finance is now less of a problem for many enterprises than access to basic skills. Often, social or conventional entrepreneurs lack basic skills in accounting, bookkeeping and business planning, meaning they may lack credibility with lenders or donors. Lack of English language skills can also be a barrier to entrepreneurs seeking to engage with donors or multinational companies.

*Access to information:* Social or conventional entrepreneurs, particularly if they are not already members of the elite, often lack access to social networks which are a crucial sources of information about business opportunities and sources of funding.

*Access to multinationals:* The benefits of foreign direct investment will only be fully realised if Bangladeshi entrepreneurs are able to identify opportunities to supply multinational companies. The information gap between multinationals and local entrepreneurs represents a barrier to entrepreneurship and inefficiency for the multinationals, which may often be unable to identify cheap local sources of supply.

Multinational companies may be unaware of the availability of viable suppliers, or they may find it too costly to use them as sources of inputs. In developing countries, policies may be required to compensate for weak financial markets or weak institutions like vocational schools, training institutes, technology support centres, R&D and testing laboratories and the like. Well-designed government intervention can raise the benefits and reduce the costs of using domestic suppliers. The role of policy is most significant where there is an “information gap” on the part of both buyers and suppliers about linkage opportunities, a “capability gap” between the requirements of buyers and the supply capacity of suppliers and where the costs and risks for setting up linkages or deepening them can be reduced.

UNCTAD World Investment Report 2001
Access to technical knowledge: The project identified many opportunities for social entrepreneurs to use new technology, particularly in the field of clean energy, to promote sustainable economic development. Additionally a number of innovative financing mechanisms are emerging, often based on carbon credits, to fund such opportunities. However whilst the opportunities were clear, we found few social entrepreneurs who had the technological or financial expertise to implement them. We found that the majority of social entrepreneurs, and the majority of people who are likely to engage with think tanks and donors, came from a public policy or economics background and were keener on solving economic or political problems than on using technology and innovative financing mechanisms.

Access to the expertise and capital of non-resident Bangladeshis: Surveys repeatedly show that members of the Bangladeshi Diaspora are ready and willing to support economic development in Bangladesh, particularly in their home areas, whether through providing risk capital, opportunities or mentoring. However they lack the means and the information to identify worthy recipients. Foreign exchange controls impede the transfer of money from abroad to Bangladesh and in general transactions costs are high for any foreigner seeking to lend or invest money in a Bangladeshi business.

4.0 Implications

4.1 Implications for major social enterprises (eg BRAC, Grameen)
Thanks to the efforts of existing social enterprises, the long-standing problem of financing for very small enterprises is rapidly being solved. Increasingly entrepreneurs identify other problems, in particular lack of access to micro-insurance, micro-savings, information, social networks and expertise. Growth capital to move from being a micro-enterprise to being an SME is also a significant gap. Major social enterprises should continue to expand their offerings to include a wider range of micro-finance projects including insurance and SME finance, and should in particular increase their focus on accompanying their finance packages with training in basic business skills, mentoring, and fostering links with big business.
4.2 Implications for local and multinational companies

Large companies have the opportunity to secure lower input prices, strengthen reputation and contribute to economic development by creating backward linkages with social and conventional entrepreneurs in Bangladesh. But many of these opportunities are being missed. Entrepreneurs may have strong products and services to offer, but because they lack business, presentational and language skills and social networks, they may be unable to credibly market to potential business customers. Major local and multinational companies, in partnership with banks and micro-finance organisations, should apply some of their CSR efforts to help entrepreneurs overcome the barriers to doing business with them, and should encourage their procurement departments to develop local suppliers. The following example of BP in Azerbaijan gives an example of what can be done: “We seek to support the development of local suppliers through training and financing programmes, building skills and sharing BP’s internal standards and practices as appropriate. This enables more local businesses to participate in BP’s supply chain. Sourcing supplies from local businesses help us avoid the need to ship supplies from overseas and boost the local economy. However, while local firms can often provide non-specialist supplies such as facilities management, they are often not sufficiently experienced to provide more advanced components and services. This is why BP works among local economic communities to build the skills and capacity needed in a strong supply base. A three-year enterprise development and training programme is under way to help suppliers meet international oil and gas industry standards. Since the programme’s inception, more than 150 local small-and medium-sized businesses have undergone assessments. As well as micro-enterprise programmes, we supported a $15 million supplier finance facility that offers easier access to finance for suppliers and service companies.”

4.3 Implications for donors, social investors and think tanks

Donors, social investors and think tanks can play a powerful convening role in giving social and conventional entrepreneurs access to contacts (particularly with large companies, investors and

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multinationals), opportunities, skills and information. Entrepreneurs need training in basic business skills but also in new technologies and financing mechanisms.

Donors and social investors need to become more risk tolerant. A standard rule of thumb in commercial venture capital is that the failure rate in the process of going from a business idea through to a pilot project through to a small venture through to a big business is 90% at each stage\(^7\) – i.e. to get one big business one has to have a portfolio of 1000 ideas or 100 pilot projects. Donors have to be willing to support (with capital, training and expertise) a wide range of emerging ideas and have M&E mechanisms which tolerate a high level of failure. For such a failure rate to be affordable, donors and social entrepreneurs have to focus on developing low-cost pilot projects which rapidly test the key assumptions of a business idea before large-scale implementation is considered.

Donors and social investors have to be more tolerant of uncertainty. If they insist on well-produced long-term business plans in English they will simply exacerbate the problem of elite dominance of entrepreneurship. Donors and investors need to accept that initial business ideas will often be ill-formed and highly uncertain. In particular it is often impossible to predict the long-term potential of an idea. Donors and investors should not impose a tick-box mentality of “ensuring” that each project will contribute to a long list of donor objectives such as social inclusion, gender mainstreaming and sustainable development – in many cases it is simply impossible to say whether these objectives will be met. Instead, donors and investors should focus on whether the pilot project offers a reasonable prospect of alleviating a specific, well-defined social problem at an acceptable cost.

The design of this project initially envisaged bringing together potential entrepreneurs, big business and Government to work together to invent and develop new social enterprise concepts from scratch. In practice this proved to be too ambitious, particularly because big business and Government representatives were not willing to spend time working on the initial

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\(^7\) Gary Hamel, ‘Competing for the Future’.
stages of ideas. Whilst some good ideas were generated, we did not find cross-sectoral teams forming to actually implement them. We adapted the project to support teams of entrepreneurs who had existing ideas, helping them to crystallise their business models and present a compelling case to donors and potential investors. This proved successful and each of the five teams who went through the process gained promises of funding from at least one donor or investor. The lesson we draw is that rather than starting from zero, projects should seek to identify entrepreneurs, or teams of entrepreneurs, who have existing ideas and help them to develop their concepts into plans for a pilot stage. Potential investors, customers or supporters should only be brought in once the concept has reached a reasonable degree of maturity. In addition, donors can “pump prime” potential entrepreneurs by giving them information on social business models, in particular based on new technology, which have proved successful elsewhere. Donors should ensure that engineering, IT and finance experts are well-represented in projects, to complement the skills of the public policy and economic experts who typically attend donor events.

4.4 Implication for Government
Bangladesh has a strong worldwide reputation for social enterprise. The Government could build on this, with benefits to Bangladesh’s overall “brand”.

1. We recommend that the Government of Bangladesh supports the establishment of a global centre of excellence for social entrepreneurship in Dhaka. This might be supported by donors and should be led by an appropriate Bangladeshi NGO. Apart from the direct impacts such a centre might have on the promotion of social enterprise in Bangladesh, we assess that the creation of such a centre would provide a powerful signaling effect to national and international social entrepreneurs.

2. We recommend that the Government avoids instituting any specific tax breaks or developing a separate tax regime for social enterprises. Many of the conventional entrepreneurs involved in our project identified the risk that social enterprises would,
with concessional tax treatment, be able to unfairly compete with conventional businesses, and we believe that this is a reasonable concern. As identified earlier, conventional businesses play a key role in value creation and economic development and should not be crowded out by social enterprise, which should play a quite distinct role rather than competing directly for markets, resources and Government support. We also believe that the lack of consensus on a definition of social enterprise in Bangladesh (and elsewhere) means that much time could be wasted, by entrepreneurs and Government alike, in trying to enshrine a definition in law, lobbying, and skewing business structures to qualify for particular benefits.

3. We recommend that the Government does not consider any changes in current company law to provide separate and distinct provisions for business organisations, whether for-profit or not-for-profit, which may be deemed informally or formally as social enterprises.

4. Instead, we recommend that the Government, in concert with civil society and the private sector, and teamed with a suitable not-for-profit organisation, support the creation of a “brand” or “label” that, through meeting various criteria, may allow entities to be badged by an independent source (perhaps the centre for excellence) as a recognised social enterprise.

5. We recommend that Government plays a role in encouraging large Bangladeshi companies and multinationals to engage more with local small and medium enterprises, primarily through a “light-touch” approach of setting expectations that large companies will contribute to economic development and playing a convening role to overcome the information gap faced by SMEs. This might be best achieved through an annual dialogue and “reporting back” process led by Government and the various business chambers.
ANNEXURE
ANNEX A

OVERVIEW OF THE ENTERPRISES WHICH EMERGED FROM THE BANGLADESH SOCIAL ENTERPRISE PROJECT (BSEP)
BIJOY
(Bangladesh Institute of Job Opportunities for the Youth)

Summary

BIJOY is planned to be a non-profit organization focusing on job based skill development for the youth of Bangladesh. Capitalizing on the growing global demand for skilled and semi-skilled human resources, we aim to develop our youth to be internationally accredited for their occupational skills and to support them in finding and retaining jobs in foreign labor markets; primarily targeting migration in developed countries which have a high priority to ensuring human rights. The remittances from their income will ensure better livelihood for their families and support the economy of Bangladesh as well.

Initially, the major focus of the project will be on women and women's empowerment through capacity building, job placement and continued social safety net protection for sustaining their future. The primary initiatives for skill development will target vocations in the care giving industry, where there is a relatively greater opportunity for supplementing the local workforce as more and more women in developed countries are pursuing professions requiring more sophisticated qualifications and skills. BIJOY will assist Bangladeshi women with vocational qualifications seek employment in developed countries like UK, Canada, Australia, New Zealand and the Scandinavian countries.

The primary and core operational unit of BIJOY will be a Training Centre, which will conduct certification programs for various vocational skills that are in demand in foreign labor markets. The Certification Courses will be recognized by vocational training institutes and/or concerned government agencies of the target foreign markets, either through accreditations, licenses or jointly managed programs. BIJOY will provide post migration placement, legal and social assistance through own agents or partner organizations: this will ensure secure employment opportunities, better assistance from local authorities and prevention of possible abuse and exploitation.

In summary, the project is expected to empower the migrant workforce, especially women, ensuring capacity building, structured migration, linkage/network building, support against employee abuse and social re-integration after their return to Bangladesh.

For further information, please contact Ms. Parveen Huda at (pshuda@gmail.com)
The overall aim of the project is to alleviate health-related sufferings and reduce mortality in under-served communities of Bangladesh through an innovative entrepreneurial health-worker model. The goals of the project are to:

1. Increase health outcomes and reduce mortality/morbidity/disability through timely interventions
2. Develop a self-sustaining model through which entrepreneurial community health-workers can provide affordable, high quality, standardized and equitable services in remote communities
3. Enable development organizations, donors and governments be more proactive in making strategic health interventions by giving them reliable access to health data on a real-time and regular basis

How technology enables efficient health consultation in the absence of doctors:

Benefits for stakeholders:

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Benefit</th>
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<tr>
<td>Rural patients</td>
<td>Quality health consultation, access to quality medicines, and health information right at their doorsteps. Referrals only for complicated cases.</td>
</tr>
<tr>
<td>Doctors</td>
<td>Can serve rural communities while staying in urban centers. Can use free time to earn additional income, while not forgoing existing job</td>
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<tr>
<td>Top Pharmaceuticals</td>
<td>Increased access to rural medicines market</td>
</tr>
<tr>
<td>Specialist Hospitals</td>
<td>Increased referrals</td>
</tr>
<tr>
<td>Governments/NGOs/Donors</td>
<td>Access to health related statistics and surveillance data in real time enabling real time interventions</td>
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For further information, please contact Mr. Mridul Chowdhury at mc@clickdiagnostics.com
CATALYZING CHANGE THROUGH LEADERSHIP TRAINING

ABOUT THE SERVICE PROVIDING ORGANIZATION:

Originally developed at Harvard University’s Kennedy School of Government, BYLC has been established as a premier leadership center in Bangladesh with initial support from MIT Public Service Center, Davis Peace Prize 2008, US Embassy and the British High Commission in Dhaka. BYLC’s vision is to create a poverty-free Bangladesh driven by the next generation of home-grown leaders. BYLC’s mission is to unite youth from diverse backgrounds, equip them with leadership diagnostic and problem solving skills, and engage them in community service and active citizenship. BYLC has extensive experience in successfully delivering leadership programs for both college and university students as well as private and public sector professionals.

PROBLEM STATEMENT:

- Lack of leadership development opportunities for students and young professionals
- Lack of collaboration among people from different educational and professional systems culminating in a divided society
- Lack of leadership courses in academic institutions

THE PROPOSED PROGRAM:

BYLC proposes three different solutions in order to address the above mentioned problems. BYLC will conduct 12 residential leadership executive programs in 4 different divisions of Bangladesh in one year. Deliberate measures will be taken to ensure that the incoming class is a fair representation of the diverse values and voices in our society. Furthermore, equal number of men and women will be selected for the program. We will have four programs each for each of the three different projects. The proposed solutions are illustrated below:

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<tr>
<th>Catalyzing Change through Leadership Training</th>
<th>Leadership for the 21st Century</th>
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<tbody>
<tr>
<td><strong>Target market:</strong> Final year university students from public, private and madrassa educational streams.</td>
<td><strong>Target market:</strong> Donor community, NGOs, private and public sector organizations</td>
</tr>
<tr>
<td><strong>Program:</strong> 4- day residential program</td>
<td><strong>Program:</strong> 4 day residential program</td>
</tr>
<tr>
<td><strong>Curriculum:</strong> innovative leadership curriculum using case analysis and deep small group reflection sessions</td>
<td><strong>Curriculum:</strong> innovative leadership curriculum using case analysis and deep small group reflection sessions</td>
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Catalyzing Leadership for the 21st Century
BUSINESS MODEL:

<table>
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<tr>
<th>Input</th>
<th>Process</th>
<th>Output</th>
</tr>
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<tbody>
<tr>
<td>648 candidates</td>
<td>Unique leadership curriculum</td>
<td>Improved capacity to make effective interventions in any social settings</td>
</tr>
<tr>
<td>Diverse educational and professional backgrounds</td>
<td>Building bridges</td>
<td>Greater insight into ethical responsibilities while exercising leadership</td>
</tr>
<tr>
<td></td>
<td>Values of public service and ethics</td>
<td>Improved presentation, communication and teamwork skills</td>
</tr>
<tr>
<td></td>
<td>Diagnostic framework</td>
<td>Better understanding of functions and limitations of exercising leadership with and without authority</td>
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BUDGET:

BYLC's fee for this program is USD 600 per participant (this includes tuition, reading materials, food and accommodation). Total budget for Year 1 is USD 388,800 for training 648 participants. For the program for university students, BYLC will be looking for donor support for Year 1 and from Year 2 onwards BYLC will use a combination of student loan facilities from financial institutions as well as partial tuition fees to continue delivering the programs. For the two programs tailored for professionals, BYLC will be charging full tuition fees to organizations sending participants to BYLC for leadership training.

LEADERSHIP TRAINING TEAM:

Ejaj Ahmad is a trained organizer and expert in leadership education with leadership consulting experience in both the private and non-profit sectors. He studied leadership, organizing and communication at Harvard under world-renowned instructors of leadership, including Ronald Heifetz, Barbara Kellerman, Dean Williams, Marshall Ganz, Marie Danziger and David Gergen, former White House Advisors to four US Presidents. He is the co-founder of Harvard Toastmasters Club, an international club for developing public speaking and leadership skills. He is an alumnus of the first Global Science and Technology Leadership Forum in Japan and Leadership for the 21st Century Program at the Dubai School of Government. Ejaj holds an MA (Hons) in Economics from St. Andrews University and a Masters in Public Policy with specialization in leadership from Harvard University.

Ivdad Ahmed Khan Mojlish is a leadership facilitator and project manager at BYLC. He has participated in several executive programs on leadership conducted by BYLC. Previously, Ivdad represented Bangladesh globally in multiple youth development and business plan competitions. Ivdad holds a bachelors degree in Business Administration from the Institute of Business Administration (IBA), University of Dhaka. While at IBA, Ivdad was the vice president of IBA Communication Club and headed the Club’s fundraising department. He also organized numerous marketing, branding, and debating competitions.

Mirza Salman Hossain Beg is currently working as the program coordinator of BYLC. He has extensive debating experience and he has represented Bangladesh in numerous debating and MUN conferences in Asia, Europe and USA. Salman is passionate about leadership and community service, and he has previously worked with several youth organizations in Bangladesh. He holds a bachelors degree in Business Administration from East West University where he was also the convener of the Asian University Debating Championship (AUDC) in May 2009.

For further information, please contact Mr. Ejaj Ahmed at (ejaj@bylc.org)
DriVen Partnership.

Fighting Poverty along with entrepreneurs

Mission:

DriVen Partnerships' mission is to give Bangladeshi entrepreneurs the financing and technical assistance needed to grow their enterprise into successful, socially-responsible companies. We work to identify great entrepreneurs using local partners, turn their business idea into business model and based on growth opportunity and entrepreneurial spirit and innovation, get them access financing. On most promising cases we give them practical, hands-on help to access better networks. We are the mobilizing network to encourage and support the ‘missing middle’ in Bangladesh, the Bangladeshi entrepreneurs who miss out on growth opportunities for the lack of better access to finances and technical assistance. Using technology we create a market place that potentially matches such entrepreneurs, who are carefully screened, with investors worldwide --- particularly the growing Bangladeshi Diaspora who wants to contribute to the economic development of the country through growth of local enterprise.

DriVen is an an entity that will be largely focusing on technical assistance, risk mitigation, IT systems and direct financing in alternative ways and in various combinations. This will also explore use of remittances, rating services amid other things. This will not only give access to a group that has been missing but also create a pipeline of business proposals ready to get financed by mitigating risk

Innovation:

The DriVen business model has been developed to tackle the problem that finance is available for large and micro-businesses in Bangladesh, but limited for the many small and medium sized businesses. Bangladeshi macro-businesses are funded with international commercial finance by large banks, whereas micro-businesses are supported by donor money through a growing presence of microfinance opportunities. Experience, however, shows that the wealth of nations is measured by the number of thriving small enterprises they possess, not by the giants. This is why DriVen Partnership is determined to end poverty in Bangladesh and south Asia through growth amongst small and medium sized businesses deprived of funding from traditional financing institutions or faced with excessive interest rates from local money lenders.
The DRIVEN platform is built around an offline network of
1. Tele-centers – local information centres managed by Bangladesh Tele Centre Network
2. Local business development officers of DriVen
3. Local supervisors.
4. Local partners

And an online platform where the key target will be Diaspora Bangladeshis.

A self-regulated marketplace

With this model everyone wins: the borrowers get the loan at a rate they can repay; the investors earn income from the interest; and DRIVEN gets a fee from the borrower over time. The screener and the supervisor will also charge a fee for their services. Due to the nature of the platform, the model ends up providing a self-regulated marketplace that encourages the borrowers and providers to perform well and the investors to offer lucrative interest rates. To avoid exploitation of the model, the interest rate will be capped at 10 percent.

All loans are funded in USDs or BDTs, but, depending on the amount of the loan, loans can be issued in local currency.

Transparency

The transparency of the flow of money being transferred via the DRIVEN infrastructure is desirable for all parties involved. Consequently, DRIVEN not only aims for full transparency and accountability in all areas and operations in the DRIVEN business model, but will also invest in quality and compliance assurance systems and procedures to ensure sustainability at all levels.

Capacity building and scalability

In line with DRIVEN’s capacity building strategy for Bangladesh, DRIVEN will invest in training providers and entrepreneurs as part of a grants and donations programme developed with the purpose of leveraging entrepreneurial skills among the Bangladeshis.

For further information, please contact Mr. Asif Saleh at (asif@drivenpartnership.com)
PURPLE is a monthly English Magazine published by Media Arts & Technology ltd - a private limited company. Its editor is Mishu Rahman, who is also a Mosaic International Summer School Alumni from 2009. As a Separate social project, that should become a well lauded fund for helping women become entrepreneurs, PURPLE wants to setup and run PURPLE ENTREPRENEURSHIP FUND (PEF). The objective is to bring business women and experts to talk to potential women entrepreneurs to share skills, ideas, and knowledge and act as mentor for an interested group. Eventually PURPLE will work to track the success stories of these women, talk about them in the media to inspire others while creating enterprises that meet the needs of Small scale power, nutritional food supply etc. Training participants will themselves give back a nominal amount to the Fund to generate opportunities for other women to take the training.

PURPLE with partner with existing NGOS in 12 different urban and semi urban locations, thus helping these NGOS to give more back to their members, and also sign up in collecting the fund back from the training recipients. In the workshops itself, business ideas, operation modules and best practices will be shared with groups of Maximum 20 women to learn the trade. The trainers will be a collection of women entrepreneurs and relevant experts from Dhaka. PURPLE magazine will track and talk about selected projects across various issues, to encourage the participants, as well as generate support and interest in these projects from Dhaka and Bangladeshi Communities worldwide. PURPLE will try to talk about the new entrepreneurs successes and help provide a media where they can also interact with the market at home and abroad. Full time Marketing, Finance and Project Coordinator will be assigned to this fund.

The participants will be given all technical knowledge, made aware about sources of fund and how to apply, market opportunities etc. They will not have to pay anything for the training at the onset, however, after six months, our local representatives will go about to collect first taka 500 and then after another six months Taka 1000, from the participants – which should come from any business venture they may have started. This way, by the turn of the year, PEF should have its own fund to run its operations. Over the period of this one year, PEF will approach various institutions to partner with us to cover training costs and thereby help run the training program in more locations.

Project Duration: March 2010 to March 2011 with donor funds, self sustained funds from there onwards

Direct Beneficiaries: 1. Women entrepreneurs – Additional income, better lifestyle and social recognition. 2. Local unemployed – economic engagement, business ideas to replicate. 3. Consumers - access to goods and services

Indirect Beneficiaries: 1. Banks and Financial Institutions – more small scale institutions to work with and support. 2. Government – regional growth and development of business hubs.

Funds Sought: Taka Seven Lakhs only in pilot phase
Taka Seventy Seven Lakhs in Implementation phase over one year

For further information, please contact Ms. Mishu Rahman at mishu.rahman@gmail.com
ANNEX B

CASE STUDIES OF BANGLADESHI SOCIAL ENTERPRISES
AND A SURVEY OF BANGLADESHI ATTITUDES TO SOCIAL ENTERPRISE
SOCIAL ENTERPRISE DEVELOPMENT:
BANGLADESH CASE STUDIES
BATA and CARE are working together to help increase the income generating capacity of the rural women as well as to create new job opportunities, through the sale of BATA products offering door to door service under the Rural Sales Program (RSP) in the rural areas of the country’s northern and southern district. Approximately 1500 workers are working in this partnership program. It is expected that 3000 saleswomen will be involved in this income generating program in 2009.

The objective of this program is to generate employment and to address the profitability of the private sector through increasing sale. More specifically the initiative aims to promote gender equality and empower women, build capacity of women for sustainable enterprise development and create win-win business partnerships.

The Rural Sales Program is an initiative of CARE Bangladesh, started in 2004 as a pilot initiative under Rural Maintenance Program (RMP) to generate income and employment opportunity for the rural poor. In this program a rural sales force comprising of destitute women is created-these women are called Aparajitas, a Bengali word that stands for “women who never accept defeat”. Under this initiative the selected women act as sales representatives in selling a diversity of products such as footwear, consumer goods, food products, spices etc to rural buyers.

BATA provides the necessary trade credit, training support and delivery of products in time. Care provides credit guarantee, training and support services to the self-help groups. With the successful results of the first year partnership, BATA and CARE decided to expand the Program in 2006 from the existing 50 to 1,000 women initially.

In 9 months of 2008 RSP made BDT 25 million of sales. Of which BATA has 56% local products. RSP generated BDT .30 million as revenue for Aparajita.

With the CARE- BATA partnership the women vendors gain economic empowerment, which raise their status in their village. Since women are more likely to use the extra money in healthcare and education of their family than men, the overall poverty of the community is reduced. BATA gains access to a market that was previously inaccessible and which shows an enormous opportunity for growth. On the other hand, rural Bangladeshis gain access to a needed consumer product at a much lower price and no longer have to travel to larger population centers to find the product, thus saving time and money for other needs.

Source: Materials provided by CARE Bangladesh
Grameen Danone Foods, popularly known as "Grameen Danone" is a social business initiative, launched in 2006. Grameen Danone Foods Ltd is a joint venture between four Grameen companies; Grameen Byabosa Bikash, Grameen Kalyan, Grameen Shakti and Grameen Telecom -- and Groupe Danone, a France-based global leader for nutritional food products.

The main objective of Grameen Danone is to bring daily health nutrition to the nutritionally deprived population of the country, especially children and as a result alleviate poverty through the implementation of a unique proximity based business model.

Grameen Danone Foods Ltd. produces a special yogurt called Shakti Doi from pure full cream milk that contains protein, vitamins, iron, calcium, zinc and other micronutrients needed to fulfill the nutritional requirements of children of Bangladesh, thus contributing to improving their health. While 'Shakti Doi' (which means 'power yogurt') is primarily intended for children, it is also appropriate for adults. The price of each 80 gram cup of yogurt is kept at an affordable rate of BDT 5 (equivalent to Euro 0.05) that can be bought regularly by even the poorest families.

The business structure is designed such that there are no dividends for the shareholders; the profits are reinvested into the company and the market prices are set with the aim to make the enterprise self-sustaining. All the distribution is done by local female Grameen Bank beneficiaries, who play a significant role in the sales program. A Door-to-door selling approach has been adapted, where Danone Yoghurt, produced entirely from local milk supplies, are marketed and sold among friends, families and small groceries. The program has thus been able to generate a lot of employment in the rural communities.

The social business also focuses on creating independent business and job opportunities in farming, processing, sales and distribution sector. The business also integrates its social objective in every aspect of its business operation. It helps to protect the environment relying on solar and biogas energy and develop innovative, environment friendly packaging solution for its product.

After passing through conceptual and implementation phase, the plant started its production on February 27, 2007. It has planned to set up and launch as many as 50 production plants during the ten years between 2006 and 2016. The first factory has been built in Bogra district which is about 230 km north of Dhaka, built upon an area of 7,000 sq ft. Its daily production capacity was 3,000 kg of yogurt when launched in 2006. In 2008, the production capacity has been planned to be enhanced to 10000kgs/day and beyond. Several hundred livestock-farming and distribution jobs have been created in the local community as a result of establishment of the first factory. It may take a relatively longer time for Grameen Danone to create an overall impact on the nutritional state of the country but the concept of social business will inspire others to change the present state of poverty in the world.

Dr. Jürgen Hambrecht, Chairman of the Board of Executive Directors of BASF SE, and Dr. Muhammad Yunus, Nobel Peace Prize Laureate and Managing Director of Grameen Bank, signed an agreement in Ludwigshafen to establish a joint venture called BASF Grameen Ltd on March 2009. BASF Grameen Ltd. will utilize two products from BASF’s portfolio: dietary supplement sachets containing vitamins and micronutrients, and impregnated mosquito nets that offer protection against insect-borne diseases.

**The purpose of the company is to improve the health and provide related business opportunities for poor members of Bangladeshi through the distribution of dietary supplement sachets and impregnated mosquito nets.**

This social business joint venture is intended to empower people by enabling them to take part in successful business life. Increasing involvement of people in entrepreneurial activities, in varying capacities, will ensure economic and social development of the country. Investing in people’s entrepreneurial skills is therefore part of corporate responsibility. The idea is for a business venture to serve a social purpose, cover its own costs and recoup the partners’ initial investment. Any additional profits are completely reinvested into the company.

Bangladesh has some of the highest child and maternal malnutrition rates according to the UNICEF State of the World’s Children Report 2008. Approximately 8 million children under the age of 5 years are malnourished. Given the substantial need for dietary supplements and mosquito nets, BASF and Grameen have decided to locate their joint venture with these two products in Bangladesh. The joint venture will initially operate from the BASF’s site in Dhaka. Alongside an initial investment of €200,000, BASF will contribute the funds for one million sachets of vitamins and micronutrients and 100,000 mosquito nets to the joint venture. Grameen’s contribution includes its knowledge of the market, distribution structures and networks in Bangladesh. Grameen Bank plans to provide microcredits to support people in setting up their own distribution outlets and in funding the purchase of mosquito nets.

In the initial stages, the dietary supplement business will focus on large consumers such as schools, and established distribution channels such as pharmacies. This will familiarize people with the benefit of the sachets as part of everyday nutrition and for healthy nutrition. In the medium term, the products will also be sold directly to end users via established Grameen networks. In towns, the impregnated mosquito nets will be sold in food stores, clothing stores and pharmacies. In rural areas, agricultural wholesalers will sell the malaria protection nets in association with the Grameen network and will also instruct purchasers regarding its use. It is expected that this joint venture will provide better nutrition and protection against insect-borne disease for the poor members of the society.

Source: [www.basf.com](http://www.basf.com), [www.thedailystar.net](http://www.thedailystar.net)
Based on the pioneering work of the Grameen Village Phone in Bangladesh, Village Phone and Village Phone Direct extends the benefits of affordable telecommunications access in a sustainable, profitable and empowering way. The Village Phone Program is a unique initiative to provide Universal Access to telecommunications service to remote, rural areas. Village Phones have proven immense potential in boosting income of poor households in rural areas, promoting health care, development of agri-business and in the social empowerment of poor women. This relatively inexpensive technology can solve many of the problems the poor in rural villages have faced for decades. Grameen Foundation serves as a catalyst and creates the linkage between the telecommunications sector and the microfinance sector to enable microfinance clients to borrow the money needed to purchase a “Village Phone business” – literally, a business in a box.

The grassroots entrepreneurs, or Village Phone Operators (VPOs), operate their businesses in rural villages where no telecommunications services previously existed; they rent the use of the phone to their community on a per-call basis. The VPOs provide affordable rates to their patrons while earning enough to repay their loans and earn profits that allow them to make investments in their children’s health, nutrition and education, and in other business ventures. The mission was to provide easy access to telephones when needed all over rural Bangladesh and to exploit the potential of the Information Revolution to the doorsteps of villagers.

The program started in March 26, 1997 and set a target of installing 40000 village phones by December 2004. By October 2002, the number of Village Phones had grown to 20000 operating in 18,581 villages. Each of these phones allow access to 1500 on average. Now there are nearly 270,000 Village Phone operators in 50,000 villages.

There is a growing evidence of the positive role of VPs in terms of women’s empowerment. The village phone has had direct and indirect impacts in the incomes of village residents. For villages moving from having no phone to one phone, the marginal benefits to health and safety can be significant, ranging from the ability to signal distress or reach public safety officials during natural disasters to access to emergency medical advice. Grameen Village Phone is enhancing economic development by helping individuals and businesses gain efficiency through communication and promoting social and economic development creating a 'substantial consumer surplus' for the users. On the other hand, it has created an income-earning opportunity for the VP operators, mostly poor women and borrower members of Grameen Bank, who are now able to make their opinions count.

Source: www.grameenphone.com
Waste Concern was founded in 1995 with the motto ‘Waste is a Resource’. Later Waste Concern Group was formed to achieve a common vision to contribute to waste recycling, energy, poverty reduction through job creation and sustainable development. It is a Social Business Enterprise comprising of both ‘For Profit; and Not-for-Profit’ enterprises. It is working with government agencies, private sector, international agencies and different communities to reach its mission as widely as possible.

Waste Concern is a ‘Not-for-Profit’ research and development arm of Waste Concern Group focusing on pilot projects on all types of waste and cleaner energy projects (specially solar and bio energy projects). This non profit unit is supported by the group’s profit making units, making it a self sustaining entity.

By promoting the concept of waste as a resource and emphasizing on the marketing aspect of organic waste, Waste Concern is causing a chain reaction among multiple sectors in Bangladesh. Working in partnership with communities, Waste Concern has set in motion a process for house-to-house solid waste collection that is then taken to community-based composting plants to turn the waste into organic fertilizer. Waste Concern arranges for fertilizer companies to purchase and nationally market the compost-based enriched bio-fertilizers it produces. Waste Concern thus provides jobs for urban poor that collect the waste and work in the local plants and stimulates behavioral changes in urban communities and the waste management industry. In addition, Waste Concern helps to address the environmental problem of diminishing topsoil fertility due to the use of synthetic fertilizers and pesticides in Bangladesh. At present, 30,000 people are benefited from Waste Concern’s project in Dhaka.

The ‘For-Profit’ companies of Waste Concern Group include:

**Waste Concern Consultants**: It provides consultancy and advisory services to low and middle-income countries on waste management, cleaner energy, industrial pollution control, sustainable human
settlement planning, energy efficiency, climate change and Clean Development Mechanism (CDM) as well as environmental management.

**WWR Bio Fertilizer Bangladesh Ltd and Matuail Power Ltd.:** They are both joint venture company of Waste Concern and World Wide Recycling BV of the Netherlands. They work as investor and operator for organic waste recycling projects through composting and also energy projects using no-burn technology such as biogas generation, landfill gas collection and electricity generation. Their working principle is based on public-private partnership model and carbon financing.

**Waste Concern-BARAKA Agro Products Ltd.:** The main goal of the company is to promote safe organic agro products in Bangladesh and also to promote sustainable agriculture with minimum greenhouse gas emission. The company has its own farms at Narshingdi, Jessore and Gazipur.

From 2001 to 2006 the compost plants of Waste Concern Group has processed 124,400 tons of organic waste and produced 31,100 compost benefiting 2.9 million people. Farmers across the country are increasingly demanding compost to supplement the soil that is exhausted from the overuse of chemical fertilizers. Their compost plants also reduced 17,000 tons of Green House gas, created jobs for 986 urban poor and saved a landfill area extending 33.12 acres and 1 meter deep.

Source: [www.wasteconcern.org](http://www.wasteconcern.org)
Kumudini is a Bengali name meaning ‘sacred lotus’, symbolizing the dream of the founder, Rai Bahadur Ranada Prasad Shaha, to care for the community in education, health and environment sector. Kumudini was officially inaugurated in 1944 with its Hospital and later Bharateshwari Homes.

*Kumudini’s objectives are to provide free medical care for the rural people, spread education among the mass, empower rural women, develop skilled manpower and create a harmonious environment by promoting mutual tolerance and self reliance.*

Kumudini Trust is spread over 82 acres of land in Narayanganj and employs more than 1,500 employees and around 5,000 seasonal workers. The most distinctive aspect of Kumudini is its workers’ relentless drive, self-sacrifice and desire to serve mankind.

Following are the major institutions established by Kumudini Welfare Trust of Bengal ltd.:

- **Kumudini Hospital**
- **Nursing School**
- **Women’s Medical College**
- **Village outreach program**
- **Bharateshwari Homes**
- **Trade Training School**
- **Kumudini Handicrafts**
- **Jute Baling & Ware House**
- **Bengal River Service**
- **Garments Division**
- **Pharmaceuticals**
- **Trading**

Kumudini’s welfare activities range from its renowned hospital to nursing school and its handcrafts. The first enterprise of Kumudini Trust, its hospital is one of its successful endeavors. It aims to serve the poor and give them free treatment. It has expanded its services to surgery, diagnostic facilities and recently research and training facilities as well. School of nursing of Kumudini also works to help empower women specially abandoned or widowed women of poor families in the villages. The destitute and distressed widows are later rehabilitated as hospital workers.

Data Source: Secondary Literature
Information Compiled by Bangladesh Enterprise Institute (BEI). For further information, please contact Mr. Md. Raashedur Rahman, Research Associate, BEI; Tel: +88 02 9892662-3 Ext: 120; Cell: +88 01712 193400; Email: rashed@bei-bd.org; Weblink: www.bei-bd.org
Kumudini handicrafts, established in 1976, embarked with the aim of developing high quality handicrafts for local market as well as export to the international market, through engaging rural women by widening their scope for economic participation. Throughout the country Kumudini has built a strong network of artisans. The beneficiaries of these jobs are 25,000 individuals and their crafts mainly include embroidered nokshikatha, jamdani shari, terra cotta ceramics, baskets and many more, all enriching our traditional rural culture and heritage.

In order to run its humanitarian activities Kumudini has set up various income generating units situated in Narayanganj. The garments segment of the organization is mainly focused on creating employment for women, employing about 850 workers of which 95% are women. However, both the garments and jute trade of Kumudini is facing difficulty due to the global recession. Bengal River Service is the main business of Kumudini contributing a substantial amount to the Trust. It is the only private river transport plying from Narayanganj to Mongla Port trading exportable jute. But due to global depression in the jute market this business is also suffering.

Source: Kumudini Welfare Trust of Bengal (Bd) ltd. Brochure
“Phulki” meaning “spark” in Bengali is a non-profit organization, established in 1991, works to improve the living conditions of working women, with special focus on child rights and women empowerment. It envisages a future where children can grow in an environment that is not only secure and healthy but also enables them to build a future with proper education. **Phulki's mission is to create a world where working women do not have to sacrifice their children’s well-being in order to achieve economic emancipation.** Phulki has also been recognized and rewarded by the Schwab Foundation as an outstanding social entrepreneur.

Phulki provides complete childcare program for children aged 6 weeks to 5 years, prior to their enrollment in primary schools, with an aim to aid working mothers who are unable to give the required time and care. The childcare service program provides both work-based and community based child care centers. As its capacity building initiative, Phulki provides training on early childhood care and does advocacy work on the issue as well.

Phulki also aims at developing a community level mechanism that will help develop best practices to reduce violence against domestic girl workers. The project started with building awareness, leading to developing preventive measure in consultation with employing households, parents, local leaders, and the children themselves.

Phulki was the first to implement the Child-to-Child (CTC) Approach in Bangladesh, in 1993. It is an innovative educational methodology through which children learn by themselves to work together and help each other. It is pertinent in creating awareness, promoting positive behavioral practices and in changing harmful traditional practices, be it related to hygiene or child rights. Phulki is at present, providing training on CTC to 250 child leaders and 2500 friends.

Phulki has now taken on a wide consultancy role ensuring that middle managers stick to the principles of the Factory Act and their buyers. Now more companies are including Child Care Centers (crèches) within their code of conduct and changing their policy on child care especially in garments sector. In total 10,061 children from Phulkis child care, have been admitted to local primary schools. Phulki has also ensured those within the child leader's communities have access to tube wells and water points, communal latrines and systematic garbage collection & disposal.

Phulki Training centres have worked in entrusting and empowering local women with the latest methods in child development to ensure high quality of care in the future. The new non-formal skilled group trained by Phulki is able to sustain their own care facilities and spread the spark further.

Source: [www.phulki.org](http://www.phulki.org)
KK Tea is the only tea garden in Bangladesh to be USDA certified 100% organic. Their operation began in year 2000 on the virgin soil of the northernmost upazila of Tetulia. Kazi and Kazi tea is not an ordinary tea garden—it is an enterprise that would give most people a living wage while protecting the environment. They established a cooperative to run a new kind of education, health and cattle lending program for the people working in the garden and the surrounding areas. This cooperative is supported in Bangladesh by the KK Tea brand, and abroad by the Tetulia brand of teas.

**KK Tea’s mission is to sustain the land and the people while producing top quality tea. They also focus on poverty alleviation through cattle rearing & social projects.** Via their cooperative they encourage villagers to rear organic cattle. Their interest-free loans, in the form of cows, are paid back in long-term installments through the selling of milk, cow dung and calves. In this way, local farmers can rapidly become self-reliant and self-sufficient entrepreneurs.

With their Organic Farming Awareness Program they invite neighboring villagers, influential persons, teachers and professionals to their garden to teach them about organic farming. They instruct them in bio-fertilizers and bio-pesticides, their advantages and disadvantages over chemical fertilizers and pesticides, and long-term social and economical effects for themselves as well as for the nation. They provide assistance to organic produce growers, with the assurance of selling their products to Kazi & Kazi Tea Estate at a premium price. With the Safe Hygiene Distribution Program they distributed safe latrines amongst their workers and poor villagers around the area. These latrines are distributed free of cost and all technical support is provided by their experienced personnel.

**KK** tea distributes medicinal herbs (Neem, Nisinda) to the neighboring villages free of cost, which have an immeasurable impact on health of the poor. Sports equipments, such as footballs, volleyballs, cricket bats, and carom boards, are distributed free of cost to primary and secondary schools, and local clubs. KK Tea teaches female laborers to read and write for one hour every day after work. Already several batches of workers have demonstrated the ability to read books and newspapers and write letters without assistance.

At Rowshanpur, KK tea has opened a computer lab to initiate IT education for the community that can instruct up to 60 students per day, in two separate shifts. Overall, projects are designed to meet both the immediate and future needs of the community, raising the living standards while providing higher skills training. Thus the tea garden has rejuvenated the lives of the people, given them the power to fight against poverty and a prospect of a better future.

Source: www.kazitea.com
Hathay Bunano Proshikhan Society (Hathay Bunano) is a social enterprise, aiming to create flexible employment opportunities for women in rural Bangladesh while generating returns comparable to a for-profit enterprise. It manufactures children's products generally infants and children 0-6 years old. Founded in 2005 with a personal investment of only $500, Hathay Bunano today employs 3500 women across a network of 32 rural co-operatives, sells toys in the US, UK, Australia, Europe and Bangladesh and generates sufficient returns to be self-sustaining.

Hathay Bunano p.s. is a non-profit society and as such any profits achieved are re-invested in the communities. Its long term vision is to provide community midwifery in the communities in which it works. Hathay Bunano aims to create rural employment that is fairly paid, good quality, flexible and local. With this view the entrepreneurs have established a Rural Centre that is effectively a small production unit of 50-100 women, with an aim to provide employment within the community to prevent worker emigration to cities. The centre provides training to women from local communities, empowering them with skills that enable them to earn a living. Training programs include embroidery, book-keeping and English Language Training.

Hathay Bunano has also established a Finishing Centre where all the products that the members of the rural centers make, are packed and distributed. Hathay Bunano p.s. specializes in hand knitting, hand crochet and hand embroidery and sell these products worldwide to mainstream retailers and distributors. They are currently exporting about 30,000 products per month all over the world.

Hathay Bunano partnered with Professor Yunus, Nobel Laureate 2006, in a new Monga project aimed at eradicating Monga in the North West of Bangladesh. They are also working with Action Aid in Kurigram to help a group of young women who were forced into childhood marriage and have subsequently been divorced, mainly through dowry problems. They are training them and as they finish their training they bring these young women into production capacity.

They work with the CRP (Centre for the Rehabilitation of the Paralyzed) centre in both Savar and Mymensingh and employ women in wheelchairs who have suffered from spinal injury.

In the past 6 months Hathay Bunano p.s. has been expanding rapidly and its customer base is increasing. In the light of this they have started a project to develop a Social Compliance Standard for their rural centers. They are also currently working on a Production Compliance Standard for the rural centre model to enable themselves to work with ever larger and more standardized companies and again this is something that they hope to share within their industry to enable the model for employment through rural centers to be expanded.

Hathay Bunano is a social enterprise creating sustainable rural employment that fits in with the artisan’s rural way of life rather than employment which dictates the rhythm of their lives while generating significant returns.

Source: Materials provided by Hathay Bunano
Bengal Meat started its journey in 2005 with the aim of establishing the first modern multi-species abattoir in Bangladesh capable of producing over 20 tons per day of processed meat beef, cara beef, veal, goat meat or lamb.

**Bengal Meat is committed to link the poor livestock producer to the domestic and international market through ensuring supply of quality, halal and hygienic meat.** Bengal Meat in partnership with Palli Karma Shahayak Foundation (PKSF) have initiated the project ‘Beef Fattening and Market Linkage at Farmer’s Level’. They also expect participation of other NGOs in this endeavor.

Bengal Meat ensures production of safe, wholesome and halal meat and meat products and supply quality meat by sourcing quality stock and processing under strict halal and hygienic conditions. They maintain quality to ensure consistency, acceptable quality and confidence in the products and services. They also develop livestock breeding facilities to improve feed efficiency and reduce production cost. And above all they aim for poverty alleviation of poor livestock producers of Bangladesh by providing them with direct access to local and international markets.

Bengal meat has already signed several MOUs and is regularly supplying its products to all the top hotels and restaurants in Bangladesh, including Sheraton, Radisson and Pan Pacific Sonargaon. They are now poised to enter the export market, for the first time from Bangladesh.

Source: [www.bengalmeat.com](http://www.bengalmeat.com), [www.pksf-bd.org](http://www.pksf-bd.org)
Study on the Perception of Social Enterprises in Bangladesh

In 2009, Bangladesh Enterprise Institute (BEI) convened the study on the “Perception Social Enterprises in Bangladesh”. This study was a part of the Bangladesh Social Enterprise Project (BSEP), initiated by the Bangladesh Enterprise Institute (BEI) in association with the Foundation for Development Cooperation (FDC) based in Australia and Libra Advisory Group based in UK. The project started on February 1, 2009 with the support of the British Government’s Department for International Development (DFID).

The main objective of the study was to understand the perception of social enterprises in Bangladesh. Survey data for the study was collected in Eight (8) weeks timeframe (June 2009-July 2009) from a sample of 37 individual companies in Bangladesh through random sampling using a semi-structured questionnaire.

The respondents for this study were from the Non-Government Organizations, Multinational Corporation, Development Partners, Banks, Local Companies, Government Representatives, Consulting Firms and Universities.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Percentage (%)</th>
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<td>NGOs</td>
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<tr>
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<td>Universities</td>
<td>6</td>
</tr>
<tr>
<td>Total (%)</td>
<td>100</td>
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Research Findings

Understanding the concept of Social Enterprise:

Majority of the respondents highlighted that they have a good understanding of the concept of social enterprise. For example, 62.2% of the respondents have moderate understanding whereas 27% of them have significant understanding.

As indicated in figure 02, the majority of the respondents define social enterprise as business with social welfare and profit objective (56.8%), business responsible towards all stakeholders (35.1%), and re-investing profit for growth (32.4%).
Role of Social Entrepreneur
It was found in the study that the role of a social entrepreneur will be to address social problems and also making profit (95%). The other role of the social entrepreneur will be to encourage stakeholders (76%), contribute to economic development (70%), and building rapport with the stakeholders (49%) etc.

Challenges for engaging in Social Enterprise in Bangladesh
The study revealed that the main challenges for engaging in Social Enterprise in Bangladesh are to overcome the lack of entrepreneur mindset (73%). The other challenges include access to finance, corruption, difficulty in attracting talented human resources, financial risks, administrative hurdles, and social risks or costs.

Kind of supports necessary to resolve the challenges in Social Enterprises
Majority of the respondent emphasized the importance of reform in the government policies to encourage social enterprise (95%). The supports necessary to resolve the challenges in encouraging social enterprises are capacity building initiatives (89%), transparency and accountability (87%), access to finance (86%), network building (73%), and government support (72%).

Areas of Opportunity for Cooperation among the private sector, NGOs, and the public sector
The survey suggests that most of the respondents agree that the private sector, NGOs and the public sector can engage in social businesses in most areas, with higher interests in healthcare facilities, food and agriculture, capacity building
initiative and environmental issues. 59.5% of the respondents highly agree that there is opportunity for cooperation in healthcare facilities while 45.9% agree on cooperation in financial services.

**Importance of Social Enterprise**

Almost majority of the participants in this study highlighted the importance of social enterprise in Bangladesh. Around 86% of the respondents agreed that establishing social enterprise is an effective way to alleviate poverty in Bangladesh.

![Importance of Social Enterprises in Bangladesh](image)

**Initiatives to increase awareness of Social Enterprise in Bangladesh**

The majority of the respondents underlined the importance of various initiatives to promote the awareness of social enterprise in Bangladesh. Some of the initiatives they highlighted are better media coverage (97.3%), capacity building initiatives (94.6%), recognition for best social enterprise (83.7%), formal association for social enterprise (78.4%), separate course on social enterprise in the university curricula (67.5%), and dedicated website (67.5%).

![Initiatives to raise awareness of SEs in Bangladesh](image)
Organizations currently performing business in partnership with NGOs, public organizations or private organizations

The study revealed that among the respondents, 43% of them are currently performing business in partnership with NGOs, public organizations, or private sector organizations.

Future Plan to start a social enterprise

It was observed that significant percentages (62.2%) of the respondents are planning to establish social enterprises in future. Among these responses, it was clear that the private sector professionals are more interested to establish a social enterprise than NGOs (27%), and public sector (19%).

For further information, please contact **Md. Rashedur Rahman**, Senior Research Associate, BEI; Tel: +88 02 9892662-3 Ext: 118; Fax: +88 02 9888583 Cell: +88 01712 193400; Email: rashed@bei-bd.org; Web link: www.bei-bd.org
ANNEX C – LITERATURE REVIEW

This annex contains a literature review of social entrepreneurship
Burkett, I & Langdon, D. 2005. ‘Social enterprise and social tendering: a guide for government departments, large social welfare organisations and corporations’. It has been widely recognised that social enterprises need the support of governments and corporations in order to start-up and develop into strong, viable and sustainable businesses. This publication looks at the various experiences of social enterprises in south-east Queensland, Australia. It details real policy solutions that the governments and corporations can adapt to support social enterprises to reach their social goals and achieve positive outcomes.

Cramer, J., 2006. ‘Corporate social responsibility and globalisation: an action plan for business’ This book reports on the findings of 20 diverse companies that participated in a three year program in incorporate corporate social responsibility into business practices, and offers strategies for other companies interested in starting down this path. The studies and guidelines are detailed, clear and concise.

Frances, Nic. 2009. ‘The end of charity: time for social enterprise’ This is a thought provoking exploration of why the idea of charity needs to be rethought in order to properly address the problems of poverty, inequality, and environmental sustainability. The author argues that we need to become social entrepreneurs with real values at the core of the operations. This book looks at the authors own principles of social entrepreneurship, based on the idea that the market can be a tool for delivering many values other than profit.

Hopkins, M. 2007. ‘Corporate social responsibility and international development: is business the solution?’ This book attempts to answer the question of ‘what is the potential of the private sector to
foster development?’ It examines what corporations are currently doing on development, what they could and should be doing, and also how corporate social responsibility can be a useful tool for corporations to promote economic development.


This book has been based on research presented at the Harvard Business School’s first ever conference on business approaches to poverty alleviation, and shines light on the various perspectives of leading academics and corporate, non-profit, and public sector managers. The contributors draw on practical and inspirational insights from over twenty countries around the world.


This publication looks at the experiences of social enterprises in south-east Queensland. It looks at the ways in which the enterprises can address long term unemployment in both theory and practice. It is the first book in a series by The New Mutualism Group.


“World leaders have given the reduction of global poverty top priority. And yet it persists. Indeed, in many countries whose governments lack either the desire or the ability to act, poverty has worsened. This book, a joint venture of a Harvard professor and an economist with the International Finance Corporation, argues that the solution lies in the creation of a new institution, the World Development Corporation (WDC), a partnership of multinational corporations (MNCs), international development agencies, and non-governmental organizations (NGOs).
In A Corporate Solution to Global Poverty, George Lodge and Craig Wilson assert that MNCs have the critical combination of capabilities required to build investment, grow economies, and create jobs in poor countries, and thus to reduce poverty. Furthermore, they can do so profitably and thus sustainably. But they lack legitimacy and risk can be high, and so a collective approach is better than one in which an individual company proceeds alone. Thus a UN-sponsored WDC, owned and managed by a dozen or so MNCs with NGO support, will make a marked difference.

At a time when big business has been demonized for destroying the environment, enjoying one-sided benefits from globalization, and deceiving investors, the book argues, MNCs have much to gain from becoming more effective in reducing global poverty. This is not a call for philanthropy. Lodge and Wilson believe that corporate support for the World Development Corporation will benefit not only the world's poor but also company shareholders as a result of improved MNC legitimacy and stronger markets and profitability.” (Princeton University Press - http://press.princeton.edu/titles/8138.html)

This book presents a detailed multi-disciplinary view of the emerging area of social entrepreneurship. It provides exposure to many of the ideas currently within the movement, by combining visions of leading minds with academic commentary.

This book looks at the problems and challenges that make up the private sector environment in the 1980’s, and possible courses of action. It puts forth various strategic guidelines for a more socially responsible position to be held by the corporate community.

Robinson, David. 1998. ‘Social enterprise zones: building innovation into regeneration.’
The publication outlines the basics of Social Enterprise Zones. In these zones a consortium of voluntary, public and private agencies team up to create an “enabling environment” in areas of “long-term multiple deprivation”. These zones move a step further away from the idea of a nanny state and draw on the untapped potential of less fortunate communities.

Talbot, Chris. 2002. ‘Social enterprise in Australia: an introductory handbook.’ This handbook was published to attempt to explain the concept of the social enterprise in relation to current societal needs. It begins by defining social enterprises and examining exactly why they are necessary. It then looks at the various elements of the social enterprise, including raising finance, company growth, development, and the different types of social enterprises. The final part is a business plan which goes into the details about implementing a social enterprise, including concept and development, marketing, management and production, financial planning and business structures.

Wilson, C. & Wilson, P. 2006. ‘Make Poverty Business’. Greenleaf Publishing, UK “Poor people in developing countries could make excellent suppliers, employees and customers but are often ignored by major businesses. This omission leads to increased risk, higher costs and lower sales. Meanwhile, businesses are asked by governments and poverty activists to do more for economic development, but their exhortations are rarely based on a proper business case. It bridges the gap by constructing a rigorous profit-making argument for multinational corporations to do more business with the poor. It takes economic development out of the corporate social responsibility ghetto and places it firmly in the core business interests of the corporation, and argues that to see the poor only as potential consumers misses half of the story. The book should be read by international business managers seeking to increase profits and decrease risk in developing countries, and by development advocates who seek to harness the profit motive to reduce poverty. The book makes numerous low-risk, low-cost recommendations for businesses and donors, all of which are rooted in a rigorous discussion of the underlying strategic and economic issues.
This book sees the poor as more than mere consumers at C K Prahalad's “bottom of the pyramid” and instead takes a strategic view of all the ways in which a multinational company can interact with and influence the lives of the poor. The poor face poverty traps when they seek to deal with an international company. Based on sound economic theory and emerging good business practice the book recommends low-cost ways to overcome these traps and gain access to a larger and cheaper pool of employees and suppliers. The poor can also become a threat – to reputation and security – if relationships are badly managed. The book integrates concerns over political risk, legal failure and physical security into a business case for reducing poverty. It argues that country risk is something that can be actively reduced through economic development rather than passively managed with lawyers and guards.

‘Make Poverty Business’ argues that doing business with the poor can be profitably integrated into the core operations of all multinational companies, not only in those consumer manufacturers who see a marketing opportunity or those major corporations who feel under PR pressure to do some cosmetic corporate social responsibility. The book examines the successes, failures and missed opportunities of a wide range of global companies including Wal-Mart, BP, Unilever, Shell and HSBC when dealing with the poor and with development advocates in the media, NGOs, governments and international organisations. It includes a discussion on how to use a poverty perspective to provoke profitable innovation – not only to create new products and services but also to find new sources of competitive advantage in the supply chain and to develop more sustainable, lower-cost business models in developing countries.” (Wiser Earth: http://www.wiserearth.org/resource/view/0cf98c40f9ccbeae7cf3e107ac03ffdf)

Yunus, M., 2007. ‘Creating a world without poverty: social business and the future of capitalism’
This book was written by the famous Dr Mohammad Yunus, an economics professor and founder of the Grameen Bank. This is quite a readable book, and examines the ways in
which traditional capitalism cannot solve problems like inequality and poverty, due to human nature and the drive for profit. He states that this is not the case and humans are also driving by other passions, the spiritual, the social and the altruistic. This book tells stories of some of the earliest examples of social businesses, and reveals what Yunus sees as the next phase in the economic and social revolution which involves the worldwide effort of every human being to eliminate poverty.

JOURNAL/ARTICLES


The research study explores the extent to which entrepreneurial orientation factors were demonstrated by small scale enterprise operators. The study was carried out in Oyo State of Nigeria. The focus of the study was a purposely selected sample of 60 owner-managed small-scale enterprises engaged in manufacturing activities.

The questionnaire was the main instrument of the study and it contains a set of structured questions to measure the entrepreneurial orientation of the respondents by using the 5 Point Likert Scale anchored by Never, Rarely, Sometimes, Usually and Always. Data were analysed with the aid of Standard Package for Social Scientists (SPSS) using descriptive method of analysis. The outcome of the study on the three entrepreneurial orientation factors shows a very great disparity from the personality traits expected of a good entrepreneur. The study concludes that aversion to risk taking, lack of innovation and proactiveness by the respondents, which are critical factors necessary for the growth of small enterprises, is very low among the respondents. Therefore, there is an urgent need to evolve a comprehensive training package for entrepreneurs in Nigeria to develop and sharpen their entrepreneurial orientation so as to enhance their competitiveness particularly in this age of globalization and market driven economy.

This paper contributes to a growing body of literature analysing the social responsibilities of SME's by designing a conceptual framework based on the Strategic Management Theory, which links social issues to the creation of sustained competitive advantages for SME's. Firstly, the paper reviews literature on corporate social responsibility (CSR) and especially on the creation of social capital for SME's. An exploration of Strategic Management Theory follows, focusing on the Positioning and Competence Based Schools, with the objective to find an answer to the question: how do social and environmental issues fit in the logic of creation of competitive advantage and what role do they play during strategic planning? The contributions of Hart, Porter and Kramer are then related to the framework of possible growth paths of SME's in order to answer this question. Strategies that could trigger or lever these growth paths are then discussed.


Corporate social responsibility programs have been adapted by many multinational companies and financial institutions, and often rely on the implementation of international voluntary initiatives. This article describes two such mechanisms. The first, the Equator principles, provides guidance to financial institutions involved in project finance. The second, the OECD’s guidelines for Multinational Enterprises, helps governments to encourage businesses to be socially and environmentally responsible. This article suggests means by which voluntary initiatives can be implemented to benefit both the wider community and companies themselves, and suggests ways of overcoming shortcomings resulting from the lack of access to formal legal sanctions when implementing voluntary initiatives.

This paper aims to develop a conceptual framework to understand the processes by which rural communities use social enterprise to engage global actors and forge local standing. It found that social enterprises are one way by which rural communities’ area negotiating with global actors through globalisation. The social enterprise provides a way for rural people to secure tenure for common-pool resources and allows them to make direct decisions regarding their management.


This article is really a discussion and qualitative evaluation of CSR with economic theory. It tries to look at the necessity of taking upon the moral teachings of some of the fathers of economics which have been scored since the triumph of utilitarianism and rationalism, the slide of society through post-modern values, and the role of cooperative principles and values in the new cultural environments.


Abstract: In this article, we contend that due to their size and emphasis upon addressing external social concerns, the corporate relationship between social enterprises, social awareness and action is more complex than whether or not these organisations engage in corporate social responsibility (CSR). This includes organisations that place less emphasis on CSR as well as other organisations that may be very proficient in CSR initiatives, but are less successful in recording practices. In this context, we identify a number of internal CSR markers that may be applied to measuring the extent to which internal CSR practices are being observed. These considerations may be contrasted with the evidence that community based CSR activities is often well developed in private sector small to medium sized
enterprises (SMEs) (Observatory of European SME’s, 2002), a situation which may be replicated in social enterprises especially those that have grown from micro-enterprises embedded in local communities. We place particular emphasis upon the implications for employee management. Underpinning our position is the Aristotelian informed capabilities approach, a theory of human development and quality of life, developed by Sen (1992; 1999) and Nussbaum (1999) which has been developed further, in an organisational context, (e.g.,Cornelius, 2002); Cornelius and Gagnon, 2004;Gagnon and Cornelius, 1999; Vogt, 2005. We contend that the capabilities approach offers additional insights into CSR in social enterprises in general and internal CSR activity in particular. Our article concludes with proposals for future research initiatives and reflections upon social enterprise development from a capabilities perspective.


This paper sets out to promote individual enterprise responsibility and provide recommendations that will strengthen the relationship between large firms and small businesses involved in minority supplier development programs in the US. Support is found for programs that help disadvantaged groups to succeed but opposition to preferential treatment is also evident. Several firms that have noteworthy minority supplier development programs are identified. Recommendations are provided to further develop the relationship between large suppliers and small businesses owned by minorities.


This article looks at micro-level reporting of Fortune Global 250 firms report about their economic impact, including environmental and social aspects. It is found that the disclosure and commitment to the various impacts are influenced by region, sector and size, but not by profitability.
This article examines the relationships of the MNC’s market environment, stakeholders, resources, and values to the development of social planning and positioning. Dynamic markets and munificence are found to be related directly to strategic social positioning and the social responsibility orientation of the firm is related to their social planning. Social positioning is related to value creation for the firm, but social planning is not.

This paper examines the various mechanisms used by MNC’s in Nigeria seeking to make long-term social investments in the improvement of water provision. Traditional methods of social investment such as donations or direct management have been criticized due to their limited contribution to local capacity building and their focus on short term outcomes. Community partnerships have been found to be the most effective mode of governance through which MNC’s can manage social investments in development countries.

The purpose of this paper is to address the emerging practice of social entrepreneurship by exploring the historical and theoretical antecedents of social enterprise and its contemporary practice. By exploring key theoretical concepts, the paper draws comparisons between “for-profit” and social entrepreneurs. The paper seeks to discuss the contemporary practice of social entrepreneurship. Discussion of the theory of entrepreneurship and contemporary practice of social entrepreneurs seeks to create a more nuanced view of social entrepreneurship and develop greater theoretical insights into this phenomenon and
its recent expansion. A phenomenological research approach was adopted, and 80 in-depth interviews with social entrepreneurs from across the UK identified as the most appropriate data collection tool. Data analysis sought to identify and understand similarities between the more understood and studied behaviour of “profit-seeking” entrepreneurs and those of an emerging group of social entrepreneurs. In-depth interviews revealed five key themes within which the practice of social entrepreneurship could be compared and contrasted with for-profit entrepreneurship. These included: the entrepreneurial process, in particular, opportunity recognition; network embeddedness; the nature of financial risk and profit; the role of individual versus collective action in managing and structuring enterprises; and creativity and innovation.

Findings suggest that while the contemporary practices of social enterprises share many similarities with their for-profit counterparts, significant differences can be found when comparing these practices with extant entrepreneurship research. The paper addresses an emerging phenomenon within the practice and the theory of entrepreneurship and offers insight into similarities and differences between entrepreneurship in the profit and not-for-profit sectors.


This article investigates the implications of an ethic of care for enhancing and facilitating development for the competencies in a sustainable global enterprise. This article describes insights for improving the following competencies: facilitating voice, attending to the subjective experiences of others, engendering trust, and creating win-win situations. Recent conceptualizations of sustainable global development have reflected societal concerns not only with environmental stewardship, but also with social amelioration. However, the tripartite goals of corporate profitability, environmental protection, and social responsiveness are unlikely to be achieved through conventional models of globalization. The emergent approach known as sustainable global enterprise provides a promising
strategic alternate, but requires the development of “native capability” that comprises specific relational competencies not typically required by traditional transnational models. This article demonstrates the usefulness of an ethic of care for enhancing understanding of the competencies comprising native capability, and provides practical insights from a care approach on the development of those skills.

Sosale, Sujatha. 2007 ‘Pre-Modern Online: Converging Discourses of Globalization and Development’, *Journalism and Communication Monographs*, Spring 2007, 9, 1. This study attempts to shed light on the ways in which global capitalist control and local empowerment in development are acted out on the internet, using a US-based venture and rural communities in developing regions. This small case study shows that although the company states it is seeking to connect global capitalism to the grassroots to empower rural communities, it may not be able to avoid privileging and prioritizing key aspects of global capitalism over local indigenous cultures.
ANNEX D

INFORMATION ON CLEAN ENERGY BUSINESS MODELS AND FINANCING OPTIONS

This annex contains information on clean energy business models and financing options. We believe that such projects to have high potential for social entrepreneurs in Bangladesh.
“GREEN” CASE STUDIES AND ENERGY LENDING

GREEN SOCIAL ENTERPRISE AND CSR CASE STUDIES

Based on FDC Social Enterprise Briefing Note by Ryan Edwards

With climate change being arguably the most pressing and dividing political issue of our time, it is worth noting where social enterprise can be of assistance. ‘Green profits’ and ‘green industries’ are profits captured due to by opportunities arising out of climate change. This involves capitalizing from the shift in consumer demand to sustainable products and companies. There are many energy companies following this route, and using new technology, or environmental value and sustainable practice to increase their market share and shareholders’ wealth. Whether it be biogas power in Vietnam, LPG substitution in Morocco, or Coconut oil power generation in Vanuatu, the inconvenient truth is that the private sector appears to be reacting to climate change faster than the public sector. Some large notable CSR manoeuvres to address climate change are;

- **Fuji Xerox and Dow:** By a joint venture of both companies to join Eco-Patent Commons, they are pledging environmentally friendly and landmark patents into the public domain, effectively creating intellectual property public goods in the interest of a sustainable environment.

- **Coca Cola and WWF:** In a joint-venture between Coke and WWF, utilizing both of the organisations core competencies (size and power – Coke, environmental expertise – WWF), the two companies have united to preserve seven of the worlds largest water ecosystems. Coke is making their water use more efficient through their entire supply, decreasing carbon emissions and energy use, and seeking to inspire other companies to do the same.

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At the micro social-enterprise level;

- *Grameen Shakti;*³ have captured the synergy between renewable energy technology and micro-credit in order to give the rural people a chance to improve their quality of life and also take part in income generating activities. They provide power after dusk in areas where conventional electricity would not reach in the foreseeable future. Key products include solar-powered home systems, bio gas and improved cooking stoves.

- *Barefoot Power;*⁴ An Australian company which designs and manufactures affordable quality lighting products targeted at developing communities and households. This social enterprise aims to establish an efficient and effective grass roots supply chain for energy goods that have high social benefits for the poor; starting with lighting products. Their LED’s are a cleaner and more efficient substitute for kerosene in the efforts to lower emissions.

- *Depot Energi Khaula;*⁵: This social enterprise is a franchise based rural energy service in Indonesia which provides biogas retail services to households, communities and commercial users to some of the 70 million people still living in Indonesia without electricity.

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³ Source: Grameen Shakti Website 2009, Available online at: http://www.gshakti.org/

⁴ Source: Barefoot power Website 2009, Available online at http://www.barefootpower.com/

ENERGY LENDING

Based on FDC Briefing No.2, September 2007 ISSN 1834-9900 by Jamie Bedson, FDC

Introduction
Just as the microfinance industry continues to try to match the huge unmet demand for financial services, so too there is an unfulfilled demand for safe, clean, cheap and income-generating sources of energy. An estimated 1.6 billion people in developing countries do not have access to modern energy services for basic cooking, heating and lighting. This lack of access compromises both quality of life and health, and places significant limitations on the productive capacity of microentrepreneurs.

The productive use of energy sources for things such as lighting for businesses, irrigation, refrigeration, telecommunications, education, agricultural and retail/street vending, has significant implications for poverty alleviation and economic growth. ‘Energy lending’ - the use of microfinance to expand access to modern, alternative energy systems - is increasingly providing energy to many clients in developing countries. While the resolution of some key challenges remains, the scope for innovation is wide.

Energy and Microfinance
The failure of governments to achieve significant levels of rural electrification in many developing countries has meant that modern, off-grid energy sources, such as solar photovoltaic lighting systems, biogas, micro hydropower, wind and LPG cook stoves, have become important sources of alternative energy. These energy sources provide an alternative to both centralised energy infrastructure and the use of biomass such as firewood, animal dung, charcoal, as well as kerosene, which adversely affect both human health and the environment.

While the focus in developed countries is increasingly directed towards employing clean or renewable energies to limit the emission of greenhouse gases, the use of these alternative energy sources in developing countries is first and foremost about access to safer,
cleaner, cheaper and more reliable energy. Despite the typically low operating costs of these alternative energy sources, prohibitively high upfront costs have proven to be one of the main obstacles for the poor in accessing alternative energy. By making microfinance loans available to pay for modern energy services, microfinance institutions (MFIs) are overcoming this problem by expanding access to loans for many people living in rural areas. However, while access to micro-energy loans is already underway in several countries, much needs to be done to realise the potential of such loans on a larger scale.

Two factors are central to this aim; firstly, the establishment of partnerships with energy suppliers and, secondly, innovative financing mechanisms.

**Partnering with Energy Suppliers**

Energy lending success stories in developing countries have thus far been primarily based on partnerships between MFIs and energy suppliers in Asia and Africa. These have employed a variety of models, from partner-agent arrangements to fully integrated energy loans-sales-service ventures. This being the case, finding partners is often difficult due to the lack of technical knowledge on the part of MFIs regarding alternative energy systems; the perceptions and attitudes of energy suppliers regarding the microfinance industry; as well as a poor depth of understanding on both sides regarding the market and the financial and energy needs of clients.

**Energy lending - selling the product to partners**

There is an inherent difference between traditional financial products (such as credit and insurance) and energy loans. For MFIs, the collection of loans or insurance premiums based on traditional financial products are not necessarily dependent on the use or sustainability of end-user technologies. Energy loans, as products aimed at a specific suite of technologies, add a layer of complexity and pose additional challenges in demonstrating the economic value of these loans to potential formal partners.

Just as microcredit loans are fungible, energy is used for a variety of reasons, many that may not be directly related to ‘productive’ use. However, the experience of several MFIs currently issuing energy loans is that their range of clients includes both those that have the
capacity to pay for loans for energy consumption (such as home lighting), as well as microentrepreneurs capable of enhancing their economic prospects through the utilisation of energy loans. In convincing investors and energy companies of the value of energy partnerships with the microfinance sector, the challenge for MFIs is to demonstrate both the productive potential of energy loans and the capacity of the consumers of consumptive energy loans to repay.

The increased engagement of the private sector in the microfinance industry has led to partnerships between MFIs and commercial banks, insurance companies and money transfer agencies which, in turn, has resulted in a variety of new financial products being made available for the world’s poor. These precedents were all based on challenging the perceptions and expectations of the formal partners and in this sense energy partnerships are no exception. MFIs wanting to establish energy lending portfolios must also challenge rigid attitudes towards what microfinance can achieve and be used for.

Demonstrating the economic value of energy products in rural areas has to be done by overcoming some of the obstacles to expanding markets into rural areas. One of the key obstacles is that energy providers are normally urban-based. Not being located in rural areas has implications for the installation, servicing and maintenance of energy technology; essential ingredients for the sustainability of energy lending. Due to the remoteness and dispersion of rural customers, both energy suppliers and MFIs face the prospect of high costs in accessing these, especially in relation to after-sales service. So while agreement on warranties and service guarantees are an essential ingredient, these have the potential of adding significant costs, thus making partnership agreements unattractive or overly onerous to energy suppliers.

**Microfranchising – a model for increasing outreach?**

Microfranchising holds the potential for overcoming the lack of rural penetration of energy suppliers, retailers and service agents. Microfranchising is the use of scaled-down business ideas that are easily replicable, are directed at helping the poor, and require low start-up
costs, making them suitable to low income entrepreneurs. Several successful franchising models are emerging in the health and retail sectors, however the energy industry is yet to produce any breakthrough examples of successful microfranchising. This provides a potentially exciting challenge for both the industry and MFIs. Partnerships which result in the joint development of microfranchising models will facilitate rural penetration, while both expanding the energy skills base in rural areas and providing avenues for additional lending. Microfranchises centred on the sale of cheap, portable LED technologies, rental of energy technologies, microleasing, construction of energy systems (such as biogas/stoves), delivery as well as service and technical support, all provide opportunities in this area. Franchise models might also be expanded to include storefront supply of alternative energy technologies in locations not traditionally considered by energy suppliers. Microfranchising limits the risk of lending by taking some of the guesswork out of establishing micro businesses. Microfranchise packages include business plans, training in technology, bookkeeping, marketing, branding, established supply chains and a clear price/profit structure. MFIs have a role to play in offering credit for franchise start-up, the development of microfranchise models with energy partners, and facilitating the implementation of training. Opportunities also exist to build on the kinds of established microbusinesses already incorporating alternative energies, such as the solar charging of mobile phones and other innovative microfranchising models, with the aim of limiting the risk of lending to microentrepreneurs.

Financing Energy Lending

It has been widely recognised that public sector provision of centralised energy is insufficient to meet the growing demands of developing countries, and that private sector involvement is a necessity. This is also reflected in the microfinance energy lending sector. As a consequence, understanding, identifying and realising the economic opportunities of modern energy systems for low income clients is essential for attracting financing for energy lending. MFIs must demonstrate that the cost of energy systems can be recovered through end-user payments, and consequently attract private sector investments in energy enterprises.
Light in Dark Corners: Public and Private Funding

Rural energy projects have hitherto been primarily public-funded, and room still exists for maximising the use of government funds by buying-down the rate of return required by financiers through subsidising interest rates, or providing seed funding for research, development and innovation. Additionally, MFIs implementing renewable energy loan programs may be able to leverage government funds that are increasingly being allocated for renewable energy applications. However, as is being found across other sectors such as insurance and remittances, attracting private sector financing is essential in increasing outreach, portfolio diversity and economic impact.

While the World Bank, UN agencies such as the Global Environment Facility, and other international financial institutions provide large-scale funding, this too has often been in the form of end-user subsidies and has focused on centralised energy provision. Attracting financing from sources such as green or alternative energy microfinance investment funds, which have the flexibility to fund decentralised energy lending projects, provides opportunities for MFIs that might not be so readily accessible from other sources. Also, engagement from commercial and development banks can help to overcome deficits in program start-up funding and the meeting of research and development costs by providing grant funding for the provision of guarantees or other credit – such as long term loans, short term bridging finance and cash equity.

A win-win situation: Carbon Offsets

Opportunities also exist for MFIs within an emergent carbon trading market. An increasing number of large-scale cleaner and renewable energy projects in developing countries are being directly linked with measured reductions in CO2 emissions. Mechanisms which allow for the trading of carbon emissions have resulted in an acceleration in the number of companies and investment funds investing in these renewable energy projects by buying carbon credits from organisations undertaking renewable energy projects.

Partnerships between MFIs and energy providers that can provide a scale of project measurable under the voluntary carbon emissions scheme have the opportunity to attract
financing to subsidise interest rates or provide guarantees for more risky and innovative lending. The carbon credits purchased from renewable energy projects are sold to provide individuals or companies with a means of offsetting their own carbon emissions by purchasing them (often online). These are referred to as ‘hard’ offsets as they neutralise a measurable and independently verified quantity of CO2. MFIs, especially NGOs looking to expand their funding base, should also consider offering ‘soft’ carbon offsets to donors and contributors. ‘Soft offsets’ consist of a financial contribution that supports an organisation working to tackle climate change through the funding and implementation of renewable energy projects. An organisation or MFI undertaking renewable energy projects is able raise funds by encouraging individuals or companies to contribute based on the prospect of offsetting personal greenhouse gas emissions.

**Conclusion**

Energy lending by MFIs is in its formative stages. In order for it to become a mainstream product within the microfinance industry, MFIs and their energy industry partners must continue to identify and implement least-cost technologies that adds value for clients. At the same time, gaps in financing models specific to the energy sector must be identified and mechanisms established to address them. This being the case, many of the obstacles faced by MFIs wanting to establish energy lending programs are variations of those encountered by MFIs that have established partnerships with other private sector industries. Along with accessing rural markets and financing, such issues include; the types of products and methodologies employed; the weak capacity of MFIs to engage the industry; portfolio security and issues of sustainability; legal and regulatory environments; competition; and building market awareness and demand.