Social Enterprise and Social Business

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### About this manual

This manual is to be used as either:
- Student manual (for self-study)
- Student manual for a participant to a workshop who wish to learn further
- Trainer manual for a workshop facilitator

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# Social Enterprise and Social Business

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Overview
This module presents a range of models of responses to social problems, focusing especially on the funding and sustainability issue. People usually see the social problems (poverty, access to education, health etc) as issues that can be addressed by policies and activities of certain actors, e.g. government, the private sector, NGOs, CBOs or other non-profit organisations.

This module introduces the concept of a ‘social enterprise’ created by a motivated individual/group, a “social entrepreneur”. The module emphasizes the possibility of using strategies, models, methods, skills usually identified with business as a way of achieving financial sustainability, i.e. escaping the trap of dependence of the program on the goodwill of funders. The module also identifies what it takes to be such a “Social Entrepreneur”.

Three models of “Social Enterprise” are presented here, with case-studies, examples and videos. The module emphasizes the model referred to as Social Business, i.e. a profit-making (and therefore financially independent) enterprise, run along ‘business’ lines but established for a social purpose and utilising its profit for social goals rather than for return to investors.

Who is this module for?
This module is of general interest to all who are interested to understand the ideas of social enterprise, social entrepreneur and especially social business. It will be useful for those who may have an idea or a plan to set up some kind of new community service or program, help them reflect on which model to choose (especially in terms of being fully funded or relying on generating income), and how to build the qualities and skills needed for launching such a program..

The module is aimed to be practical and for this reason it is provided with case-studies to give you the opportunity to learn more from real Social Enterprises, i.e. the Entrepreneur’s background, the inspiration or starting ‘idea’, and their strategy.

A more complete list of case studies is produced by the Schwab Foundation for Social Entrepreneurship which award Social Entrepreneurs each year, and can be found at:

https://www.schwabfound.org/awardees

Special Focus on Myanmar
This module has been reviewed from his original version (2011) and is more specifically aimed for Myanmar. Therefore, chapter 5 describes some organisations providing support to Social Entrepreneurs and Enterprises in Myanmar. You will also find a list of Social Enterprises based in Myanmar in the Appendix.
Learning Outcome:
Use the 3 models of Social Enterprise as a framework for designing a Social Enterprise project

1. What is a Social Enterprise?

Definition

In broad terms, a social enterprise can be defined as an organisation that seeks to achieve a social goal; this is a very broad definition that would include many NGOs. This usually works on the basis of a “Funded program” model.

To tackle social problems, people may build civil society groups, community organisations, NGOs etc to run an innovative social program. In most of these cases, the outcomes and impact of their actions in the long term will depend on endless support from donors.

Some people like to limit the idea of social enterprise to ‘organisations that use business strategies to achieve their social goals’.

An example of Social Enterprise that uses business strategies Here is a brief presentation of a small scale local ‘Social Enterprise’. It is a project designed by a student of OLSET (*) training, organized by FLD and a local partner in 2010 in Myanmar.

(*) Online Learning and Social Enterprise Training

Providing function catering services in Dawei (Myanmar) to support Monastic schools

L.Y. (nickname “Lwin”) is a 20 years old woman living in the provincial centre of Dawei. She has been involved with a local voluntary organisation, which had worked to raise money for orphans sheltered by local Buddhist monasteries. Monastery schools in Myanmar mostly cater to poor families and many orphans, often in very makeshift accommodation and with little in the way of equipment and teaching materials. Lwin found that orphans in the local Monastery schools needed some support as, for example: there is not enough stationery and there are no professional teachers. In addition, for orphans who do manage to complete their schooling and have the capacity to go on to university, there are no part–time jobs that would allow them to earn enough to be able to attend the university.
Lwin and some friends did some fund-raising and that gave them the idea to establish a small business for the benefit of the orphans and also to provide employment and empowerment of local youths. She thought she had not enough skills to run such enterprise, she thought it is only her dream. After a period of time spent talking with people, thinking, attending trainings, Lwin came up with a very creative insight into opportunity for a local service business. She noticed that there were no commercial providers of ‘function catering’ e.g. for wedding parties. Lwin’s plan is to start by sending some young people for catering training so as to be able to provide a local wedding catering service as a social business to provide employment and to generate funds for the orphans.

We describe below 3 models of social enterprises: fully-funded, social business, and hybrid (mix between fully-funded and social-business). In all these 3 cases, people want to provide a long-term solution, and make people able to support themselves, to continue to run the project or to use the skills for a better life.

2. The three models of Social Enterprise

Note: We have simplified the discussion by referring in each model to “The Social Entrepreneur”, i.e. an individual. However, as mentioned before, the ‘entrepreneur in many cases will be a group.

“Social Business” model

(This model is discussed in detail in Chapter 3)
In the example described above in Myanmar, people wanted to promote a new idea to try to solve a social problem, and will set up their own project. Lwin and her friends chose from the start to try to run it as a business that will generate profit to be used for social purposes.

A social entrepreneur wants to tackle an identified social problem and comes up with an idea for a business that can fulfill a need not currently met in the community using a business approach. The intention from the start however will be to ensure financial and project long-term sustainability by generating income that will cover costs (and profits to be put back into the social business so that it can grow and reach more people in need. 

Example: a retail shop selling handicrafts made by poor villagers so as to improve their income, and generating income from sales to cover costs and make profit to be put back into the business or to provide more income for the villagers.

However, compared with the usual business model, the main aim is not to maximize financial profit for the business owners or investors, but to address the problem of poor villagers. Wealth accumulation for investors is not a priority. However, investment funds will be needed to start the business; for example from people or organisations who are interested in addressing a
social need and who do not expect to profit from their investment. Profit will instead be returned to the social business or used for social purposes.

**The “Fully-funded program or project”**

The social entrepreneur sets up such an enterprise to launch an innovative project addressing a need not currently met in the community (healthcare, education, unemployment, poverty ...).

This model assumes that full funding is needed to run the program that provides the service (from an individual, a foundation, a company...) and the program itself does not seek to generate income from its clients. The long term project sustainability of such a program can be enhanced because of the commitment of the many partners who share the vision and objectives of the enterprise and confidence in being able to find willing funders. However its dependency on external funding is a risk because one donor will usually not support for more than a few years, and it is a difficult and time-consuming work to regularly search for funding.

**“Hybrid social enterprise” model**

This approach is a mix of funded program and income-earning program.

In many cases, the group launching a social enterprise project may like the idea of achieving independence from external funders, but fear their project can’t depend only on income generated through business activities or because the program requires some funds to start (‘starting capital’). They therefore feel they will need to be supported by external donors as well. Another reason to choose this model is to support activities that can’t be covered by external funding or that have been added to the original funded program. This model can also be used temporarily before moving to a Social Business model.
## 3. Comparisons between the three models of Social Enterprise and the standard profit-making business model

The table below details and compares the characteristics of the 3 models of SE and the model of an ordinary profit-oriented business.

<table>
<thead>
<tr>
<th>Motives and goal for the entrepreneur</th>
<th>Fully-funded social enterprise</th>
<th>Hybrid social enterprise</th>
<th>Social business</th>
<th>Profit-oriented Business</th>
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</thead>
<tbody>
<tr>
<td>Aims to solve a social problem and relies on external funding</td>
<td>Aims to solve a social problem relies on a mix of external funding and income generation</td>
<td>Aims to solve a social problem and to generate enough income to cover costs</td>
<td>Aims to make profit for the owner or investor</td>
<td></td>
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| Primary beneficiaries | Pay nothing | pay nothing or an affordable price (full or reduced) for all or some of the products or services | pay an affordable price (full or reduced) for the product or service; with shortfall covered by other business activities. | Considered as customers, pay market price |

| Secondary beneficiaries | As funding is provided by donors, they are expected to benefit only indirectly | People who need the service and can afford a higher price may be targeted as additional beneficiaries to generate income and also to benefit from the service. | People who need the service and can afford a higher price may be targeted as a means to generate the necessary income to allow the business to cover its costs |

| Customers | As funding is provided by donors, clients rather than customers are targeted. | Buy products made by beneficiaries, use services provided by SE (e.g. Internet Café) | Buy products made by beneficiaries, use services provided by SE (e.g. Internet Café) but on a sliding price scale – some at market price, some at below market price | pay market price |

| Workforce | Paid staff, External resource persons (experts, consultants), External partners’ staff. May include non-paid volunteers. (salaries are based on market-rate) | Paid staff, External resource persons (experts, consultants), External partners’ staff. May include non-paid volunteers. (salaries are based on market-rate) | Paid staff, External resource persons (experts, consultants), External partners’ staff. May include non-paid volunteers. (salaries are based on market-rate) | Paid staff (market-rate salaries) |
### Fully-funded social enterprise
- In-kind donation from suppliers or individual donors (e.g., a desk may be offered by the store, or by a private donor)

### Hybrid social enterprise
- In-kind donation from suppliers or individual donors and/or special discounts and/or full-price goods/services

### Social business
- In-kind donation from suppliers or individual donors and/or special discounts and/or full-price goods/services

### Profit-oriented Business
- Market-price or discounts

<table>
<thead>
<tr>
<th>Capital and financial sustainability</th>
<th>Donations, grants from</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>institutional sources (e.g. corporate, foundation, NGO etc) or individual sources (relatives, friends, wealthy individual donor, local company director etc)</td>
</tr>
<tr>
<td></td>
<td>Financial sustainability can only be achieved by ensuring continuing donations and grants.</td>
</tr>
</tbody>
</table>

- **Donations, grants**
  - **institutional** sources (e.g. corporate, foundation, NGO etc) or **individual** sources (relatives, friends, wealthy individual donor, local company director etc)

- **Combination of donation/grants**
  - (institutional and individual sources) with some **income generated** fees from beneficiaries, sale of products/services etc).

- The entrepreneur(s) may also provide 'own' funds to start or face unexpected expenses or as part of agreement with funder.

- If the SE is confident enough to rely on grants, income generation through SE activities may be only a means to cover additional expenses not covered by grants, or to start other small projects, or because the organisation believes its service will not be valued if provided free.

- **Several modes**:
  - a) Start-up capital from **investors** (individuals, corporates) which will be paid back (Yunus SB model).
  - b) Start-up capital from **donors** which is not expected to be paid back.

- In both cases a) and b), the entrepreneur(s) may also provide 'own' funds to start or face unexpected expenses or as part of agreement with funder.

- The SE must set up from the beginning an effective business model to achieve financial sustainability after start-up capital is finished.

- **Usual capital for business (personal funds, banks, investors, shareholders etc).**

- The business retains part of the profit in the business to ensure financial sustainability but distributes ‘dividends’ to investors.
### Social Enterprise and Social Business

<table>
<thead>
<tr>
<th></th>
<th>Fully-funded social enterprise</th>
<th>Hybrid social enterprise</th>
<th>Social business</th>
<th>Profit-oriented Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>profit</strong></td>
<td>No profit generated</td>
<td>Making profit is not a necessary purpose. If some profit is generated, it is put back into the SE.</td>
<td>A social business needs from the beginning to work as profit-making activity. It will be especially necessary to reach and strengthen the stage of financial sustainability. Generated profit is put back into the social business.</td>
<td>Making profit is necessary for the business sustainability and maximizing profit will be most of the time wanted by the business entrepreneur. Part of the profit will be put back into the business, part distributed to owners, investors</td>
</tr>
<tr>
<td><strong>Entrepreneur compensation / salary</strong></td>
<td>The social entrepreneur may or may not play a significant role after the project started. The entrepreneur may live on sufficient personal savings or another paid job, i.e. he/she may not ask to be paid by the enterprise. In other cases, he/she may include a budget line in the grants proposal for a certain role (e.g. manager, director etc.).</td>
<td>The social entrepreneur may or may not play a significant role after the project started. The entrepreneur lives on sufficient personal savings or another paid job, i.e. he/she may not ask to be paid by the enterprise. In other cases, he/she may include a budget line in the grants proposal for a certain role (e.g. manager, director etc.).</td>
<td>The social entrepreneur may or may not play a significant role after the project started. In many cases, the entrepreneur may have another source of income. In other cases the entrepreneur may be paid for a role in the activities, but will expect that like all staff, in the long run enough income will be generated to cover all salaries.</td>
<td>The business entrepreneur needs from the beginning (business plan) to aim getting enough profit to get some income for him/herself. Then, if more profit is generated, he/she can choose to keep a part to increase his/her income.</td>
</tr>
</tbody>
</table>

All these 3 models will need strategic planning and management skills e.g.

- using creativity, innovation, risk-taking,
- finding appropriate models or methods to find income, either finding a source of funds or generating income in the program itself and therefore needing business skills.

For this module, we will focus on the idea of social enterprise as an organisation that seeks to achieve a social goal and either uses business strategies or at least seeks to generate income so as to lessen dependence on funders.

The focus is therefore on social business or the hybrid.

**Why this emphasis on business strategies and income generation? It is all about sustainability.**
4. What is sustainability?
It is the ability to be sustained, i.e. to be kept going over time or continuously. Building up a project’s sustainability requires having a strategy and the resources to produce results that will last.

There are two important aspects of sustainability that are of importance in community organisations and projects. :
- The sustainability of the outcome of a project.
- The sustainability of the organisation and its work.

Here are two examples that refer to the issue of sustainability of the outcome of a project: First, a non-sustainable outcome and second, a sustainable outcome.

A village has been equipped with water pumps to irrigate fields. However, villagers were not trained to repair the pumps, and nobody had money to buy spare parts. So the expected result of providing water from pumps was initially successful but then came to a stop and became finally a failure.

Another village has been equipped with a water supply system, and local people were trained to fix it, and agreed to work as volunteers when repairs were needed. The NGO also trained the villagers to form a Savings Group, and they were able to save some money to be used to buy some spare parts in case repairs were needed. This way the outcome of the project has been sustainable.

This example of achieving or not achieving sustainable outcomes, is a problem related to project design. Projects can be designed to achieve sustainable outcomes.

Now here is an example which refers to the sustainability of the organisation and its projects and programs (rather than their outcomes).

Example:
Innovative project to alleviate poverty in rural areas of Cambodia
Sopheap is a 32 years old man living in Battambang (Cambodia). He has been working for 6 years in an INGO to help people in rural areas to escape poverty. Sopheap thinks more and more about trying to set up a local CBO with friends so as to launch an innovative project to help villagers. Sopheap feels disappointed with the NGO approach -- he felt his NGO has operated in a rather bureaucratic way and was often disappointed by the lack of effectiveness of the projects run by his INGO and by lack of sustainability of the outcomes. Sopheap and his friends formed their own organisation, officially registered it and managed to secure
funding for a small work-space and funding for what they believe is a very innovative and practical project which will be able to achieve sustainable outcomes at the village level. All goes well until the end of the funding period, and now Sopheap and his friends are afraid their organisation and its work will collapse because the funder has said they cannot provide another round of funding. Without external funding, the work of their organisation and its programs are not sustainable, even if their projects were successful and had sustainable outcomes.

Applying business strategies and focusing on income generation is a strategy for achieving sustainability for the organisation and its programs and projects rather than sustainability of outcomes.

5. Form and status of a Social Enterprise
In accordance with our use of the term Social Enterprise, a Social Enterprise can be either:

- a Community based organisation or NGO which usually runs fully funded social programs but **now wants to try to generate income** so as to achieve greater independence,
- a private company with a distinct social goal, or a a non-profit organisation set up by an individual (or a group ) **to improve or solve a social problem using business methods**.

In some cases the Social Enterprise may be formed through a partnership between a profit-oriented business and an existing social enterprise e.g collaboration between Grameen Bank and Danone Corporation (a well-know French dairy products company ) forming Grameen Danone as explained further in Topic 4). Or it may result from an NGO launching a new unit to be run as a business to generate funds, (e.g. restaurants and souvenir shops of “Friends International” described in Chapter 5).

6. What is a Social Entrepreneur?
Having introduced the idea of social enterprise, especially emphasising business strategies and income generation, now we want to focus on the idea of a **social entrepreneur**.

**What is the meaning of ‘entrepreneur’?**
The word entrepreneur comes from the French language and means simply 'to respond to an opportunity', One of the keys to being a successful entrepreneur is the ability to
recognize and seize an opportunity.: 

**What does it take to be an ‘entrepreneur’?**

*Seeing opportunities*

The entrepreneur always sees change, responding to it, trying to see how to exploit it as an opportunity. Entrepreneurs see the opportunities rather than the problems created by change. This is a necessary characteristic of the personality of an entrepreneur because very often the entrepreneur will face things not predicted and have to find a way to manage the situation (e.g. the banker who was so agreeable may not sign the loan agreement at the last minute, a storm may have damaged the whole village where the project was building a new school or clinic.).

*Being optimistic*

Social Entrepreneurs need to be optimistic people to face difficulties in a positive and constructive way.

*Creating value*

An entrepreneur creates value though creative, productive activities, e.g.

- generating more income by making and selling wooden furniture rather than selling only logs,
- helping other stakeholders to make profit (e.g. working with suppliers, shop-keepers etc),
- creating job opportunities by hiring staff,
- contributing to citizens’ well-being through payment of taxes,
- being a positive example or role model for other people, especially youth
- etc

**What does it take to be a Business Entrepreneur?**

Business entrepreneurs have the qualities and characteristic of an entrepreneur described above but usually they are primarily motivated by making profit. Thinking about making profit is not necessarily a bad thing. It is always celebrated as creating jobs, and is an important opportunity for social interaction and communication.

However, when more and more businesses are focused only on profit, or on short-term profit it can also be destructive.
Even for small business, the ‘profit first’ mentality can have negative effects. Quality of products and services may become less important than quick or high profit. So many businesses may adopt tough methods to manage staff (staff being asked to work hard or for less and with constant fear they can lose their job etc). This leads many people to feel stressed, depressed, and feeling that their job and/or life are meaningless.

To be profit-oriented is a business necessity. It is also a measure of success. Profit, however, cannot be ‘everything’, and needs to be balanced by objectives which also include consideration for consumers (quality of products), the environment, the well-being of staff and a perspective that goes beyond short-term profit. Increasingly, in many places, creative people are using business principles in order to produce goods and services designed to solve or improve social problems. These people are called Social Entrepreneurs.

**Individual(s) aiming for social change**
Social entrepreneurs, like business entrepreneurs, need inspiration, creativity and courage, to seize opportunities but in this case primarily towards social goals, e.g. to address poverty, unemployment, lack of access to healthcare etc. While a business entrepreneur may see opportunity in the creation of new markets and a new source of profit, the social entrepreneur is looking for an opportunity to achieve some social purpose that will ultimately benefit society.

**It all starts with a challenge and an original and innovative idea**
The social entrepreneur(s) are people who see a problem and are willing to engage with it as an opportunity. They will seek to see the problem in a new way and may come up with a very new idea (innovation), or a development of an idea they have seen in another context, another country, province etc. They will think about the shape of such a project and set out to find other people interested to work with them (as future managers, employees, partners ...) and the way to find the necessary money to implement the project (grant, private donors, relatives and friends, support from NGO...). Sometimes social entrepreneurs will seek to set up the project as an incoming-generator so that it will in the end pay for itself, or even generate funds for other social actions, find the way to get money from the project itself. But it still will need initial investment funds to get it started.
Learning Outcome:
Envisage a few practical ways a Social Entrepreneur can generate income. Guide you to develop or improve some relevant skills and qualities to become an effective and successful Social Entrepreneur.

1. Several approaches to generate income
A Social Enterprise will consider several options to combine, integrate ideas of income generation with its own “social goal”.
Below are presented some options that can be adopted by:

- Hybrid Social Enterprise,
- Social Businesses,

Various combinations of these ideas can also be found in the case-studies provided in Chapter 4. Finally, we introduce also income generation ideas for a profit-oriented business conscious of social responsibilities.

Income generation ideas which combine business strategy with social goals

a. Creating a Business related to “social programs”
An NGO which normally relies on funding for its activities may seek to generate income to supplement its funds and **to integrate an income-generating small business in its “social programs”**. E.g. the NGO which sets up a souvenir shop and hires some of the local people involved in its funded project activities. The products sold in the shop may also be made by the local people (e.g. souvenirs made locally by the villagers) and purchased from them.
In that way, the SE provides jobs and income to the producers which contribute to the success of the NGO’s development work in the village. The shop and souvenir making business will compete with other profit-based businesses, but promoting the business as an example of helping local people in a sustainable way could attract more- or a different type of- customers than the competitors.
b. Creating a Business not related to “social programs”
Seeking to generate income to fund its activities, the NGO in the example above could instead choose to create a Business, e.g. a souvenir shop, but in this case, the employees are not the beneficiaries of the NGO’s project and its activities are purely intended to raise funds for the NGO.

c. Benefit people from your skills
At some stage, a funded NGO may become mature enough and experienced enough to offer training for a fee or provide consultancy services for a fee in order to raise funds for the NGO.
Example: An organisation working on environment protection could provide paid consultancy services for people wanting to promote from its experience gained from a program that promotes ecotourism.

d. Selling affordable products used for positive social effects
As shown further in Topic 4 through the example of IDE India, some SE specialise in producing affordable technologies or products to be made available to poor beneficiaries, as a means to improve incomes and escape poverty. The challenge will be not only to create quality and affordable products, but also to promote and train beneficiaries to use them. Similarly a funded NGO may consider selling affordable solar lamps so that unsafe and more expensive kerosene lamps can be replaced.

Business Entrepreneurs may also support social goals.
We introduce here approaches that may be chosen by business entrepreneurs who are in business primarily for income/profit but who may also feel a sense of social responsibility, and see the way to support social goals.

a. A social entrepreneur’s need to balance personal income and serving the community
Starting a Social Enterprise may not easily earn a living for the entrepreneur. One solution may be to create a business designed primarily to make a profit (and earn the entrepreneur an income!), but at the same time having a social purpose, e.g. opening a small business and have a policy of hiring people from among the underprivileged, discriminated or disabled etc. This is an example of a “business enterprise with a social outcome”. It might be useful as a way to provide the social entrepreneur with income and to learn/develop skills in order, in the future, to move towards a more purely Social Business approach.

b. Creating a profit-oriented business but which also has positive social outcomes
For example the company DMT (Nigeria) that saw the opportunity for profitable business renting mobile toilets for concerts, sports events etc. However, although it was not motivated by a social goal, it is in fact providing services to the public where there were none.
2. Social Enterprise: Challenges and limits

More challenging than a traditional business
Starting a social enterprise based on income generation can be both exciting and satisfying, but it may be also full of challenges. Social enterprises have to compete in the commercial market and face the same challenges and risks as all businesses. For your social enterprise to be successful, you need to work to a 'double or triple bottom line' - social and/or environmental and financial - and success in the market. This can be a challenge when competing against traditional businesses working to a purely financial bottom line.
It will require creativity and drive to achieve social and/or environmental as well as financial aims without relying on grants to succeed. However, your independence will also free you from working within the bureaucratic environment of a large organisation and may allow you to achieve change and innovate more quickly than if you worked within a funded project.

Considering the competitors
In UK, some experts studied a number of SE set up by charity organisations. They noticed these SE were often engaged in simple income generating activities (e.g. turning vacant land into a fee-based car park, second-hand shops using donated goods etc). What they noticed is such enterprises are quite easy to replicate, which meant there was a big risk that competition would emerge from other charity organisations also wanting to generate income.

Remuneration/compensation of the Social Entrepreneur
As previously mentioned, the Social Entrepreneur needs to carefully plan his/her own strategy regarding how to earn an income if it is necessary to work for free in order to get the social enterprise started. For example, the Social Entrepreneur may need an additional paying job outside the Social Enterprise.

Complex agendas
In the private sector, if you design a better product, venture capitalists come to you with cash, and expectations for returns on that capital. In the social sector, investors come to a social entrepreneur and say: "we love what you have built, but here are our priorities that must be included in your business execution". Social entrepreneurs are then tasked with bending their models to serve the needs of the funding community over the needs of those it is their mission to serve. This confusion is distracting to the scaling efforts of social enterprise and does not allow the social enterprise to develop in the most efficient and effective manner to meet social needs.
Chapter 3. Social Business

**Learning Outcome:**
Use the social business model to plan a program with social goals and financial sustainability.

1. **What is a Social Business?**
There are several different concepts of social business (SB). In this module, we will present the model which has been developed and improved over several years, first in developing countries (e.g. Bangladesh) and more recently in developed countries (e.g. USA, UK). This model has emerged as a result of collaboration between academics, non-profit organisations and businessmen in association with the Grameen foundation, established by Professor Muhammad Yunus.

Professor Yunus has long actively promoted the creation of ‘Grameen social businesses’, as what he sees as the answer to the many problems left unsolved in the world by government, NGOs and business.

**The brief story of Professor Muhammad Yunus**

In 1974, Muhammad Yunus was an economics professor at Chittagong University in Bangladesh when a combination of war, natural disasters and an international oil crisis toppled his country into a devastating famine. Yunus created Grameen Bank to make low-interest loans to the poorest of the poor, people with no collateral or credit history. Today it serves more than 8 million people-97 percent of them women-in every village in Bangladesh, extending more than $100 million a month in loans averaging about $200. In 2006, Yunus and Grameen bank were awarded the Nobel Peace Prize for their accomplishments.

Seeking new ways for the power of the market to help the poor, Yunus came up with the concept of "social businesses." These companies operate like any other, competing in the marketplace to make a profit, **with two big exceptions:**

- The investors agree not to take any money from the company beyond the return of their original investment, and
- the goal is to deliver a social benefit to people in need.

Grameen now operates dozens of social businesses in Bangladesh. These companies provide affordable nutritious foods, extend telecommunications services into isolated rural areas, export hand-loomed traditional fabrics, and much more.
2. Example of a Social Business

Grameen Danone
Social Business model

Combating malnutrition through the sale of a cheap cup of yoghurt

The Birth of an Idea

As in most developing countries, malnutrition among children is a chronic issue in Bangladesh. Most children are fed a nutrient deficient diet consisting mainly of white rice after the lactation period. This lack of proper nutrition not only contributes to problems in children’s immune systems, thereby affecting their ability to fight diseases, but also hampers the children’s physical and mental development.

But what would happen if this obstacle were removed?

One day in 2005, Professor Yunus met with Franck Riboud, the chairman of Danone, the French company famous for its dairy products. Professor Yunus explained this malnutrition problem and also his idea about ‘social business’. The two decided to join forces and create a social business that would produce and distribute a highly-fortified, highly-affordable yogurt for Bangladeshi children. Grameen-Danone secondary social objective is to reduce local poverty by employing villagers and locally purchasing the agricultural inputs for the yogurt.
The First Taste

The Grameen Danone factory was built in Bangladesh. After one year of research and development, the first cup of Shakti Doi (“fortified yogurt”) was produced in 2006. The yogurt contained the vitamins, minerals, and other nutrients that Bangladeshi children often lack, and tasted quite similar to traditional Bangladeshi yogurt. The establishment of the business also attacked poverty: it created over 1000 jobs both in and outside of the factory by employing villagers and it purchased the milk from Bogra villagers.

Outreach and Availability

Shakti Doi was created to reach and benefit the disadvantaged families of Bangladesh. As such, it was thought that conventional advertising techniques used for the general public would not be as effective for this particular product.

Marketing consultants were hired to formulate a special marketing strategy and brand image. To promote the product in the rural areas, Grameen Danone holds weekly community events to discuss the nutritional benefits of this yogurt. There are plans also to have television advertisements to increase Shakti Doi sales in the urban areas.

In rural villages, Grameen sales-women go door-to-door selling Shakti Doi. They earn a commission for each yogurt unit sold on top of a set weekly wage. Grameen Danone understands the importance of employing local villagers and promotes this in its business model. The average price of Shakti Doi in the rural areas is BDT 6 (BDT: Bangladeshi Taka, local currency) compared with BDT 12 in the urban areas. This means the urban consumers subsidize rural consumers to maintain the yogurt's affordability for the targeted rural consumers.

3. Social Business concept

The planning and launching of a Social Business (‘SB’) begins with the important role, trust and understanding of an investor, or several investors: it could be a network of friends, a group of generous businessmen, a corporation, or an NGO or charitable foundation. With a Social Business the investor is willing to try to help beneficiaries and therefore to invest without making any personal financial gain.

The Social Business is a business because it must be self-sustaining, i.e. it is expected to generate income to cover costs and make profit which will be
returned to the business or used for social purposes. Initial investment is necessary to launch the Social Business. The SB manager and the investors will need to have agreed on a period of time (e.g. 3 years) in which the business is expected to become viable. After starting, the Social Business is managed to generate income to be used only for the SB (i.e. not profit for investors), and to achieve the social objectives.

After some time, the Social Business will have achieved viability, as a business, when it can generate enough income to cover its own continuing operation and costs. If the SB managers and the investor believe SB is now viable, they may agree that no further investment is needed. If SB managers and the investor think that achieving viability may need more time or by making adjustment to the business plan, they may decide to renew the investment.

7 principles

Here are the 7 principles which according to Muhammad Yunus, social businesses need to follow to achieve their goals:

1. The objective will be to overcome one or more social problems which threaten people and society, not maximize profit
2. The aim will be to attain financial sustainability
3. When Investors lend money to launch the Social Business, they may expect to get back their investment, but no dividend is paid. In many cases, investors may provide their investment as a donation, and do not expect to get it back.
4. When the initial investment is spent and investors who loaned money have been repaid, any profit stays with the Social Business for expansion and improvement or for a social purpose.
5. A Social Business will be environmentally conscious
6. A Social Business will provide their workforce with market-level wages and with better working conditions
7. Those involved with the social business will work with joy!!

Social Businesses and profit

Part of the economic surplus created by the Social Business is invested in expanding the business, and a part is kept to cover unexpected situations or expenses. So, the SB can be described as a company dedicated entirely to achieving a social goal, but using business methods (e.g. IDE India using marketing, quality control, advertising, network of retailers etc).
The idea behind the normal business model of making profit for an investor is not part of the SB concept. If the investor provides investment funds as a loan rather than donation, it will be repaid after an agreed period of time but without making profit. Usually the investor will expect the return of their investment funds when the SB has become viable, meaning financially self-sustainable.

**A Social Business may be initiated by a foundation or NGO**

A foundation or NGO which usually runs funded programs, could start one or more social businesses. Such a foundation might even provide the investment money to launch a SB, which can take care of some aspect of the foundation’s work creating social benefits and becoming a financially self-sustaining program. The foundation/NGO following this path might need to establish the SB as a separate legal entity for accounting, tax and other legal purposes.

**A Social Business is not the same as a cooperative.**

Many cooperatives are run as profit-maximizing companies, designed to make profit for the cooperative’s owners. However, a cooperative could be run as a social business.

**Social Business versus profit-making Business**

Social Business managers have to think and behave differently from the usual business managers—they are using business models but considering always social issues and aiming to reach social goals as well as managing a sustainable business. Running a Social Business represents a great learning process, as Social Business entrepreneurs are usually trying to do things which never were done before, and think in a way which was never done before!
Learning Outcome:
Understand the real structure, organization and challenges of a Social Enterprise

1. Friends International
   Hybrid model

Friends International was born on the streets of Phnom Penh in August 1994. They initially provided services to the street kids found in the Cambodian capital in the aftermath of years of genocide and conflict in the country.

Friends International (FI) believes that everyone must come together to build a safer and fairer world for children. To achieve this, FI creates innovative social and business models and set a few programmes to support 45,000 marginalized children, youths and their families every year to become functional, productive citizens. Through Saving Lives, its outreach teams go out day and night where the children are – on the streets, in the slums, in the drug dens, in prison, in brothels – to provide live-saving services, including protection from sexual abuse and violence, medical care, drug services, protection from trafficking and unsafe migration, protection from unnecessary internment. FI runs programmes in Cambodia, Thailand, Laos, Indonesia. In Myanmar, FI partners in Myanmar with LinkAge (a vocational training restaurant) and helped to set up Sanon Restaurant and Vocational Training Center (Bagan).

Its Building Futures programme helps youths get gainful and dignified employment through employment offices that assess young people, provide soft skills training, direct them to vocational training, and provide psycho-social support. Then FI helps them find employment or start their own business and supports them until they are autonomous. As part of a social enterprise, their social businesses support the reintegration of children and youth so they become actively involved in the development of their society. This way, their social businesses are serving Friends’ social mission. The social businesses enable FI
to achieve a high social profit (positive impact for our beneficiaries) and good financial profit (stable incomes for the beneficiaries and for the organization). This reduces Friends’ donor-dependency and increases their sustainability.

**FI start with a need**: youths from marginalized communities often drop out of school at an early age. They do not always have the skills and support to find a decent job and become independent adults. **Friends assess market opportunities**, and identify where job opportunities lie and are aligned to the youth interests. If existing training alternatives are not sufficient, a Vocational Training business is often a great solution. **FI build a vocational training business model**, which combines training and business, and allows the students to learn in a real work environment, while helping us be connected and responsive to the market. The money generating from the activities can be used to sustain the project and be reinvested in other social programs. FI’s vocational training businesses range across sectors; from hospitality, to beauty, mechanic, electricity, sewing and others.

**FRIENDS 'N' STUFF SHOPS**
Friends 'n' Stuff is a lifestyle brand inspired by Southeast Asia that transforms everyday materials to earn money and empower families. After pioneering upcycled fashion in Cambodia, Friends then expanded to Thailand and Laos. By reinvesting all profit into our social programs, Friends 'n’ Stuff doesn’t just break the cycle of poverty – we fight to end it. Friends’ Income Generating Businesses **contract the parents of the children we work with and provide them work and income**, so they are able to support their families.

Friends trains these parents to make handcrafted products using locally-sourced materials such as tire, newspaper, and end-of-roll fabric left over from large factories. Friends 'n’ Stuff then buys the products from the parents, which generates money to keep their children in school.

Friends then helps them find independent employment or provides assistance in setting up the parents’ own micro-enterprise, where they can apply the market-linked skills from their training.
Sources of income
Friends succeed to generate a lot of income from its Social Business activities. However, in order to launch other initiatives, social activities that cannot - or would need some time to - generate income, they chose to rely on external donors (including private donation from corporates).

![Image of income sources]

2. IDE India (International Development Enterprise)
website: [http://www.ide-india.org](http://www.ide-india.org)

Social Business model

Video “IDE India”
(English subtitles), 7 min.

Background
In rural India, as in many countries in Asia, the small and marginal farmers have limited access to land and capital and have low farm incomes. If they are to try to optimize productivity with limited resources, the standard modern approach of e.g. using electric or petrol-driven pumps may not be a practical option, because it is rather expensive to buy or rent the pumps and pay for power or fuel.
**The Innovation: social program idea**

As there is a relation between rural poverty and lack of access to water, IDEI has identified micro irrigation solutions as a strategy to help overcome poverty. It designs, develops and delivers small plot irrigation technologies (e.g. the treadle pump as shown below) that are commercially viable (viable: doable, capable of working successfully).

The products are sold to farmers at a very low (but not subsidized) price, i.e. in this case only 20% of the cost of its competitors. For some farmers, a micro-credit program helps to purchase the pump, and 90% succeed to pay back the loan. After a few years, the program has been successful and copied in a number of African countries.

**Social Business Strategy**

In order to offer products at an affordable price and still be sustainable, IDEI needs to generate a significant profit to reinvest in exploring and producing new products. To do this, IDEI needs to sell large numbers of products (to a large number of farmers). That way it can create the investment funds needed to create other products to benefit farmers and reduce poverty and design quality and affordable products. IDEI use business principles such as:

- marketing,
- advertising,
- creating the demand for their product,
- quality control
- developing a network of retailers (i.e. shops) at a village level

IDEI also train farmers to use their products.

**Successful results**

60% of treadle pumps have been sold to farmers who had previously not been able to afford any irrigation technology. 40% of treadle pumps have replaced diesel pumps across Eastern India for which farmers had to pay annual rentals of more than US $70. In addition, throughout the years, IDE achieved to be sustainable.
**A different perspective on the villagers**

Too often, small and marginal farmers are considered as in need of charity' or at best, 'beneficiaries of a poverty relief project' i.e. in need of a handout. IDEI views the small and marginal farmer as a potential 'customer'. IDEI believes that a farmer, however poor, has the capability and enjoys the dignity to purchase a range of affordable products. IDEI has shown that through the use of such products, farmers can increase their earnings by more than 100% within one cropping season.

**An effective product that addresses the social goal and effective commercial strategy that addresses sustainability of IDEI.**

The IDEI technologies make them particularly attractive to small-scale farmers; they are low-cost, manually powered, appropriate for small landholdings, and have a high rate of return. IDEI strives to make the technologies accessible to even the poorest farmers by addressing the following factors:

- **a. Product**
  IDEI identifies and develops appropriate technologies that help small farmers overcome agricultural constraints.

- **b. Price**
  Every effort is made to design and produce a technology that is affordable for as many small farmers as possible. Price competition is encouraged through the contracting of multiple manufacturers and distributors. IDEI also works in cooperation with agencies that provide access to affordable credit for the poorest farmers.

- **c. Demand**
  IDEI stimulates demand for its products in rural areas by raising awareness through demonstration plots, promotional activities, and marketing campaigns – to show that its affordable products work.

- **d. Availability**
  A private-sector supply chain (manufacturers, distributors, retailers, and installers) is established, equipped, and encouraged by IDEI through research and development, training, quality control, and logistical support. The manufacturing and distribution system is decentralised to make the technology more easily available in remote locations.
The establishment of a commercial marketing channel makes sure that all products are available at the village level. IDEI does not involve itself directly in selling. Rather, it ensures sale of its pumps through the private marketing channels comprising village-based distributors, dealers, government sales depots.

3. Kedai Balitaku (Kebal)

**Website:** https://www.mercycorps.org/articles/indonesia/kedai-balitaku-provides-employment

**Social Business model**

**Lessons learned from a Social Business aimed to sell healthy street food to children in Indonesia**

*(From NY Times article https://opinionator.blogs.nytimes.com/2011/05/26/the-path-from-charity-to-profit/)*

Kedai Balitaku is a social business started by the development group Mercy Corps in Indonesia. Mercy Corps took this unusual step because it realized that its programs to educate mothers about nutrition were not changing what mothers fed their children. Healthy food is expensive, and the crowded conditions in the Jakarta slums mean that many families have no place to cook or eat. So they buy their children the cheapest street food, which is usually either sweet or deep fried. Kedai Balitaku, which usually goes by the name KeBal, aims to become a chain of street carts selling low-priced healthy food to children.

KeBal is a social business — one that exists primarily to achieve a social goal. It’s easy to see why the social businesses model has become a popular strategy for attacking the problems of the poor. The impulse to create a business rather than employ traditional nonprofit work comes partly out of the notion — right or wrong — that charity creates dependency and that without the discipline of the market it often doesn’t work.

Development groups, moreover, are always looking for ways to make their projects live on once they’ve moved to other things. Creating a business is one solution.

“We were trying to get away from traditional model where everything is implemented by an N.G.O. (a non-governmental group) or by the government, and everything is dependent on the next round of funding,” said Sasha Muench, Mercy Corps’ economic development adviser. “As long as businesses are profitable, they have an inherent sustainability factor.”
But just like any other kind of project, social businesses are useful and successful only some of the time. Not every problem lends itself to a market solution, and many social businesses fail.

Sometimes a hard business approach is needed to accomplish a social good. For a social business, “the obstacles are similar to those of starting and running any new business,” said J. Gregory Dees, a professor of Practice of Social Entrepreneurship at Duke University’s Fuqua School of Business. “New ventures are risky — raising capital, attracting talent, managing the organization, attracting customers, selling your product (ideally at a profit, though most businesses take a while to reach profitability) are all difficult. And the social mission adds to the degree of difficulty by constraining your options.”

Dees points out something important — success isn’t instant. Many social businesses spend years receiving donations or relying on a nonprofit for back-office work before they fly solo.

But no nonprofit can prop up a social business which doesn’t get the basics right. “It’s the same thing that makes any business successful. First and foremost they need strong management and a business strategy that understands the needs of customers.

This is usually more difficult for a social business that sells to the poor — their margins are by definition limited. KeBal faces other challenges. There is no established market for healthy food, and it is more expensive to produce — a crucial factor when consumers make decisions based largely on price. In addition, starting a social business is perhaps most difficult for large, traditional NGO like Mercy Corps, which have a very different culture than for-profit companies.

While running a Social Business, you’re thinking about profits and sustainability, and you’re thinking about the humanitarian issues. You’re always inclined to shift back into humanitarian need but have to remember that to be sustainable you have to have a hard business mentality.

These two imperatives have clashed in the hiring of street vendors. Mercy Corps would like to create jobs for people who need them most — low-skilled single mothers. But the business demands vendors who have the confidence and boldness to sell, and who will take the risk of ordering a lot of inventory — not the usual profile of downtrodden women in this society. KeBal’s health requirement that food must be sold the day it is made has reduced sales. Vendors order less than they think they will sell for fear of being stuck with excess inventory at the end of the day.

Mercy Corps has pushed hard to infuse KeBal with a business mentality. It spent two years doing market testing and developing and testing menus.
4. Hla Day
Social Business model

(Below content is from Hla Day website)

Together we work with Myanmar artisans, disadvantaged groups and small local businesses to design, develop and sell quality handmade products with a contemporary twist.

We provide a sustainable market place, business and design training to support the livelihoods of our producers, many of whom are struggling to overcome disability, exclusion and poverty. Hla Day aims to capture the unique flavours of Myanmar design by locally sourcing all materials and celebrating traditional skills enabling both customers and artisans to enjoy and benefit from unique and quality Myanmar handicrafts.

All profits generated will are reinvested in diverse ways that empower our community of producers. Driven by the passion to improve the lives of more Myanmar artisans and craftspeople, Hla Day has future plans to expand the organisation to different regions of Myanmar, representing unique regional tastes, and offering crafts that utilize local materials and styles while improving design and business skills.

OUR MODEL

The combination of design, an understanding of how business works and supported access to an international market are the key ingredients that benefit Hla Day artisans, attracting an international market of people who are eager to buy beautiful products with a social impact. Good design is at the core of what we do. Through design, we are able to empower a large community of people in need, and transform their lives. Over the last years we have designed a business model with proven success in creating opportunities, generating sustainable change.
OUR PROCESS
Hla Day works with each of our artisan groups on an individual basis; firstly by understanding their immediate needs and motivations, then we work together to draw up goals and desired outcomes. We tailor our support and the products to the artisans’ skills and interests in ways that connect with them and the customer. This means: together we create passionately made, beautiful crafts and most importantly, have happy artisans and happy customers.

CODESIGN, PROTOTYPE & TEST
We brainstorm together, prototype, exchange ideas, study materials, test, get feedback from customers, and sometimes we start over again! Our process is definitely not linear. We often go back to square one to re-design something that is more attractive for the customer allowing us and the producers to improve and learn valuable lessons.

ATTENTION TO DETAIL
From materials to craftsmanship to attractive shop display, quality control is really important to us. Hla Day must constantly meet the high standards that customers expect. Our producer community learns that quality is a key component of their design and determines successful and sustainable sales.

MYANMAR MADE
Every single one of our products is made by a Myanmar person. We take pride in sourcing and using local materials. We also focus on creating partnerships that promote sustainability; for example, encouraging producers that work with textiles to buy directly from the weavers, and by working with groups who focus on environmental sustainability such as working with recycled plastic material.

Example of one of Hla Day’s artisans partner: Action For Public

Founded in 2008, Action For Public is a social business working to improve the livelihood of women who have been impacted by HIV. They initially came to Hla Day as tailors with the hope of selling children’s school uniforms. After working with them to improve their technical and design skills, they now have a more colourful collection of products selling to a new market than they initially set out for. Their sewing workshop is now made up of 11 women from different areas of Yangon. The women are proudly earning a good wage in a supportive working environment with a greater access to opportunities for them and their families.
Learning Outcome:
Identify local sources of information, training and support for SE in Myanmar.

1. Overview of the emerging Social Enterprise space in Myanmar
Source: “Social Enterprise Landscape in Myanmar” – British Council (Sept. 2013)

There is a wide spectrum of development organisations in Myanmar with different legal forms, different degrees of market orientation and financial viability, and different social missions. Although not currently recognised as ‘formal’ SEs (SE: Social Enterprise), there are number of ‘informal’ SEs, including socially focused organisations that could potentially become financially sustainable. These include NGOs and Associations that have explored revenue generation activities that supplement donations. This is also relevant for cooperatives, which have an operational model comparable to that of private entities, while being more inclined to be addressing social issues. The term SE could also be applied to SMEs that emphasizes the social mission as a part of their business model.
Several large corporations and business people in Myanmar have set up foundations and become increasingly engaged in charitable work – often citing Nargis as a catalyst for their activities.
Although most foundations are neither financially sustainable nor seeking to become more financially self-sufficient, they typically have a sustained source of corporate funding, and could play an important role in the development of the SE sector. This is the case for Indonesia, where some SEs operate in the form of foundations as a result of supportive regulatory environment and started to spin-off market-driven, revenue-generating enterprises, as an alternative to seeking grant funding.

A summary of the different legal forms adopted by SEs is presented below.
## Legal Form

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<th>Legal Form</th>
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| NGOs         | International NGOs (INGOs)  
The number of INGOs has grown rapidly in recent years, |
|              | Domestic NGOs  
Typically small grassroots organisations run by volunteers.  
Mostly operating in rural areas and funded by INGOs or local donors. NGOs are often used as subcontractors for projects designed by donors and charge overheads to manage and implement projects.  
The registration for domestic and international NGOs is under the Ministry of home affairs.  
Registration was until a few years ago notoriously long and frustrating, pushing many domestic organisations to register as associations or private companies. Many domestic organizations also tended to operate without registering. The registration process for local NGOs tends to be now easier. |
| Associations | Strictly focus on social and religious issues. Because it was difficult to register as NGOs, most local NGOs were registered as ‘association’ through the 1988 Organisation of Association Law.  
This status limits the entity’s rights to issue invoices for services. |
| Private Companies | It is still much easier to register as a private company than an NGO in Myanmar. However, the idea of profit making in development is not well accepted, leading many would-be NGOs to register as associations or remain informal. |
| Cooperatives | Owned and controlled by their members. Could potentially be a ‘quick-win’ for the SE space, cooperatives benefit from government backing and enjoy a simpler and quicker registration process. However they suffer from a bad reputation as failed “socialist enterprises”. Due to their established institutional framework and legitimacy, cooperatives could be a vehicle to grow the SE sector in the short to medium term. |
| Foundations  | Not financially sustainable by itself, but many foundations are financially supported by their parent private company as their CSR arm. Foundations provide significant funding for charitable work in the Myanmar. Operations are typically funded by donations from a single source, sometimes supplemented with very small private donations or revenues. The relationship between businesses and foundations is sometimes formalised, with the business donating a percentage of their profits every year, and in other cases not formalised. Like charities and voluntary organisations, foundations have been predominantly engaged in disaster relief and the provision of basic services. |

## Mapping the SE Space in Myanmar

Because the concept of SE is still new in Myanmar and because of the limited data available, there is a lack of clarity regarding how many entities provide socially and environmentally beneficial services through revenue generating activities. There are very few organisations recognised as SEs or who identify themselves as SEs in Myanmar. Entities that are formally recognised as SEs are registered as private limited companies or cooperatives, and aim to balance their social mission and core business to achieve financially sustainable social impact. For example, Green Waves Social Enterprise, a CSO, which buys land and provides livelihood enhancement, while reinvesting 50 per cent of its profits in its programmes and activities. Beyond ‘formal’ SEs, a mapping of socially
oriented organisations in Myanmar shows that entities potentially forming the ‘informal’ SE space span across a wide variety of legal forms including NGOs, local SMEs, associations and cooperatives.

Myanmar SEs and other social organisations are concentrated around four types of socially beneficial services:
- Provision of basic services (basic education and health care, disaster relief)
- Civic engagement and civil society promotion, targeted livelihood enhancement programmes (including vocational training)
- Access to finance
- Provision of socially beneficial products and services.

The majority of financially sustainable SEs focus on:
- Livelihood enhancement
- Vocational training
- Microfinance. Microfinance initiatives are also often an integrated part of livelihood programmes.

While NGOs do not dominate the SE space, there is a persistent bifurcation between non-sustainable not-for profit and voluntary organisations focused on health and education, and private sector businesses providing job creation and livelihood enhancement. Charitable and voluntary organisations dominate delivery of basic services to underserved populations, in particular basic education and health services.

Trends impacting the Social Enterprise space in Myanmar

- Several factors enhance the potential of the SE movement:
  - Increased access to ideas about SE from overseas
  - Increased interaction between civil society and business with Government
  - More business-friendly environment
  - Inclusion of sustainability in funding criteria

**Lack of Lending Options for Early stage Enterprises**
The greatest funding gap ranges between US$50,000 - 250,000, there have been very few examples of social impact investing deals and none that have been done using Myanmar laws. Like in many other countries, bank financing is largely non-existent for Myanmar SEs except for the largest entities. A relatively small percentage of the population has access to formal financial services, and enterprise lending is complicated both by regulations and capacity to lend on the part of the banks. SEs registered as NGOs face strict restrictions on lending.
**Readily Available Grant Funding Limits Demand**

With the notable exception of Foundations, the majority of sustainable SEs received some form of initial funding from an international donor, often supplemented with contributions from the founders’ themselves. For INGOs that have set up local offices, the financial backing from the parent organisation has been key to establishing operations in the country. Coupled with limitations of the financing infrastructure, there is a general lack of interest in seeking outside capital due to the following reasons:
- Revenue generated is sufficient to expand or scale-up operations;
- Fear of losing control over the mission and focus area of the organisation;
- Readily available grants and donations;
- Organisation is at a very early stage, which will not attract any investor interest.

**Challenges to Investment Readiness**

SEs in Myanmar also face impediments common in many emerging SE markets across the whole region. These often centre on operational issues related to increasing workload and a growing team. In particular, the difficulties include:
- Developing a robust business plan, e.g.: demonstrating proof of concept;
- Lack of capacity within the team to manage an increasing workload;
- Clarifying processes and roles as the team grows beyond core founders;
- Identifying the appropriate legal approach to facilitating investment (with respect to the organisation’s non-profit/hybrid structure);

**Microfinance**

The demand for microfinance in Myanmar is high, especially in rural areas. However, few institutions provide microcredit, with an unmet demand estimated at close to $1 Billion. In response to UNDP’s Human Development Initiative in 1997, a pilot project was launched through various INGOs such as EDA, Grameen Trust, GRET and PACT in the Delta area (Ayeyarwady Division), the Dry Zone and Shan State.

In 2006 PACT, subcontracted by UNDP, became the dominant microfinance provider and this grew to six actors by 2009 (five INGOs and one private company) and operated institutional microfinance in the country regulated under specific MoUs with authorities. By 2010 the sector served more than 385,000 clients, of whom at least 90 percent were women, with a total portfolio of around US$27 million.

**Characteristics of Financially Sustainable SEs**

Four key points emerge in relation to the financial sustainability of SEs in Myanmar:
- Financially sustainable SEs are mostly focused on livelihood enhancement, microfinance, and the provision of socially beneficial products and services;
Several financially sustainable SEs combine more than one activity into an integrated development programme, for example by providing microfinance and vocational training, or vocational training and jobs in entities that provide socially beneficial products and services;

With the exception of MFIs, NGOs with high potential for financially viable business models for their services would benefit from capacity building on business development and business administration skills;

All financially sustainable SEs have benefitted from seed stage donations, largely from international sources.

**Challenges**

Despite positive signs and encouraging examples of SEs, there are a series of both external and internal challenges for the development of the SE space in Myanmar. Many of the challenges mirror those faced by the emerging private sector in Myanmar.

**Internal Constraints**

- **Human Capital:** The legacy of a poor education system centred on rote learning has led to a significant internal constraint in terms of business skills – especially from mid-management and upwards. These pose significant challenges on the evolution of financially viable SEs in Myanmar. Many interviewees have identified loss of competent staff to the increasing numbers of better paying multinationals in Myanmar as a major challenge to the sustainability and growth of their organisations.

- **Perception:** There is a widespread perception that organisations delivering social benefits should not also seek to make a profit. This is especially true in the health sector, where services for women and the disadvantaged are expected to be absolutely free of charge. This is not only true for domestic donors and beneficiaries, but also for many major international donors.

- **Lack of Access to Capital:** Lack of access to capital is an important obstacle SEs face. Loan financing is not readily available and access to bank lending is often limited to only those with strong connections. There is also a gap between funding needs and investors’ appetites; The amount of investment that SEs are looking for (US$50,000-250,000), usually for seed capital, is too small to attract investors, and the lack of protection for this size of investment also constitutes a strong disincentive for investors.

**External Constraints**

- **Lack of Basic Physical Infrastructure:** The lack of a reliable banking system and infrastructure for transport and electric utilities make it difficult to operate and scale up any business – including SEs.

- **Supply of Goods:** Limited supplies of imported goods pose significant challenges for the development of organisations focused on delivering beneficial goods and services.
• **Donor Funding Structure:** As in many countries, there are limitations with the current international donor funding structure, which tend to focus on projects and prevent grants being disbursed to pay for core expenses such as staff salaries. This does not promote organisational sustainability as many NGOs depend largely on volunteers to run their operations. This may potentially encourage bad governance practice to be embedded within local NGO’s given the restrictions on fund disbursement. For many ‘potential’ SEs, capacity building has not been brought about by international donor intervention. These needs include developing sound governance systems, formulating long-term strategy and most importantly, establishing frameworks to measure and increase social and environmental impact over time.

• **Real Estate:** The high cost of renting or purchasing land and offices relative to average income – in particular in Yangon, combined with uncertainty surrounding property rights in rural areas, makes it very challenging to operate financially sustainable SEs.

**Changing Political and Economic Environment:** With new laws being drafted and rapid changes in the political and economic environment, it is difficult for organisations to make long-term strategic plans.

2. **Organisations supporting the spread of SE in Myanmar**

   **a. British Council in Myanmar**
   In 2014, the British Council launched two capacity building programme (*) for social enterprises in Myanmar: **The Social Enterprise Consultancy Programme** and Education for Entrepreneurs (E4E) Programme to build a local social businesses consultancy network and provide support to revenue-generating businesses and social enterprises.

   (*) [https://www.britishcouncil.org.mm/capacity-building-se](https://www.britishcouncil.org.mm/capacity-building-se)

   **Education for Entrepreneurs (E4E)** is in partnership with Standard Chartered Bank to support social SMEs in Myanmar in terms of financial literacy and business development training. So far, the programme has reached 1,267 businesses and provided consultancy support to 39 organisations in 12 cities across Myanmar.

   **ABOUT THE BRITISH COUNCIL’S SKILLS FOR SOCIAL ENTREPRENEURS PROGRAMME**

   **Skills for Social Entrepreneurs** (SfSE) is a global programme operated by the British Council and its partners. It supports
organisations known as social enterprises which employ business approaches to meet social and environmental needs and make a positive impact in their communities.

SfSE provides aspiring and practising social entrepreneurs, NGO practitioners, community leaders, development workers and young people with skills training and professional mentoring to help build successful social enterprises. It also provide access to UK expertise, global peer networks and funding opportunities.

The success of the social enterprise programme rests on effective partnerships. Partners include Myanmar Business Executive (MBE) association, Myanmar Young Entrepreneurs Association (MYEA), Social Enterprise Development Association Myanmar (SeDAM) and PS Business School.

b. SeDAM (Social Enterprise Development Association Myanmar)
https://web.facebook.com/sedam.org/?ref=page_internal

SeDAM formed to support social enterprises in Myanmar

Source: Myanmar Times

Support is forthcoming for social enterprises operating in Myanmar with the establishment of Social Enterprise Development Association Myanmar (SeDAM).

SeDAM is planning to partner with different institutions to conduct social start-up programs and provide training to existing enterprises. We hope these activities will help us collect the needed data to support social enterprises. SeDAM was established by 40 social enterprise consultants with half a decade of experience combined. The most significant challenges in Myanmar for social enterprises are developing appropriate skills and attracting investments in the early stages of development. Social enterprises find it more difficult than mainstream businesses due to the lack of skills in conducting business or product or service development as well as impact measurement.

c. Other organisations

Enablers such as the Project Hub Yangon, Hamsa Hub, Sustainable Business Myanmar and environmental promotion initiatives such as Freda can play a key role in creating networks, building knowledge, and providing capacity building to SEs. Similarly, academic institutions such as PS Business School have also contributed to the development of the SE space with an Annual SE Challenge that introduces the SE concept to its students and rewards promising young Social Entrepreneurs.
Appendix

List of some Social Enterprises in Myanmar

Proximity Designs (https://proximitydesigns.org/)

Proximity Designs is a social business which designs and delivers affordable, income-boosting products that complement the entrepreneurial spirit of rural families. They operate four programmes: Farm Simple Technologies, Agronomy Services, Farm Finance, Economic Research.

Hla Day (see details about this organization in chapter 4) (https://hladaymyanmar.org)

FXB Myanmar (https://fxb.org/programs/myanmar/)

This innovative souvenir shop in Yangon uses proceeds to support health, education, vocational training, and income generating activities for vulnerable people in Myanmar. The showroom sells colorful and well-crafted textiles.

Green Hill Valley http://ghvelephant.com

Located 45 minutes outside of Kalaw, this small operation is both locally owned and run by a family dedicated to rescuing elephants from the logging industry, as well as countering the negative effects of logging with reforestation projects. Bathing elephants and re-plantation of trees are proposed to the visitors.

Helping Hands http://www.helpinghandsyangon.org/

Based in Yangon, Helping Hands is a social business restoring old, Burmese, teak furniture. Employing over 50 people, skilled artisans work alongside ex-street children, training them in the art and skill of furniture restoration. Together they bring old, unloved furniture back to life.

Inle Heritage http://inleheritage.org/en/home/

Take a learning journey through this organization, which is committed to preserving the region’s unique cultural heritage while offering interesting tourism experiences — proceeds contribute to the local community. Among their services are a boutique hotel, cooking classes, an award-winning restaurant, Inle Lake tours, and more.
Linkage Yangon https://web.facebook.com/LinkAge.Restaurant/?_rdc=1&_rdr

Dine on Burmese and Chinese fusion dishes at this social enterprise restaurant which provides education and training to children and youth from poor communities. They also sell beautiful paintings created by local artists.

MBoutik (Bagan) https://www.mboutiksocialbusiness.com/

Shop for beautiful handcrafted toys, bags and woven pieces. MBoutik is a wonderful social enterprise which works with women from rural villages and provides support services which include literacy programs, HIV prevention, medical care and more.

Myanmar Adventure Outfitters (Lashio) http://myanmaradventureoutfitters.com/

Myanmar Adventure Outfitters (MAO) is a social enterprise, and their focus is to invest profits back into the communities MAO and the travelers interact with. They provide activities such as hiking, mountain biking and other adventure activities.

Pann Nann Ein (Yangon) https://hladaymyanmar.org/artisanstory/pann-nann-ein
https://web.facebook.com/pannnannein/?_rdc=1&_rdr

Pann Nann Ein, meaning ‘Creative Royal Home’, is a local foundation that helps people with physical and mental disabilities to achieve sustainable livelihoods. The organization works closely with its members to help them produce handmade products that truly reflect the uniqueness of Myanmar culture through the design and materials used. Now employing 24 people, all employees are guaranteed a fair price for their work which helps them continually improve their lives and their families. It also supports them to get the medical and physical support they require.

Plan Bee (Pindaya) https://web.facebook.com/PlanBeeMyanmar/?_rdc=1&_rdr
https://www.my-planbee.com/

Since 2013, farmers from villages in Southern Shan have been trained in beekeeping to improve their livelihoods by INGO Tag International Development. Bees had never originally figured in Thar Ngee’s scheme of things. His family only had two acres of land so he would travel seasonally to find casual farm work. Thar Ngee and fellow trainees became part of a community-based Enterprise (CBE), a collective of beekeepers. Now, he and other farmers can produce organic honey products while benefiting Myanmar’s ecosystem.
Pomelo Burmese Boutique (Yangon)  http://pomeloformyanmar.org/
https://web.facebook.com/pomeloformyanmar/?_rdc=1&_rdr

A fair trade boutique selling handicrafts created by Burmese people from disadvantaged communities. Pomelo provides a sustainable marketplace, skill training and creative input to its artisans, allowing them to support themselves and their families.

Sanon (Bagan)  https://www.sanon-restaurant.org/

A delightful Burmese and tapas restaurant serving up tapas, smoothies, cocktails and more! Sanon is a FRIENDS International social enterprise and provides vocational training for marginalized youth, and monitor them in their work place for a further two years.

Shwe Sa Bwe Training Restaurant (Yangon)  https://www.facebook.com/ShweSaBwe/

Enjoy a tasty meal or find a place to sleep at this training hotel and restaurant, which allows students to acquire real-life experience from experienced trainers. The food is beautifully presented and worth a stop by for a bistro lunch or a French-inspired dinner menu.

Sprouting Seeds Cafe & Bakery (Kalaw)  https://web.facebook.com/sproutingseedscafe/?_rdc=1&_rdr

Using locally sourced food this spot offers a respite from the city in a quite spot. Indulge in fresh homemade baked goods, ice cream, veggie dishes, and delicious meals in a traditional Kalaw house. A portion of proceeds go toward the cafe’s social mission: to support disadvantaged youth with training and support.

Three Treasures (Bagan)  https://myanmar-treasures.com/
https://web.facebook.com/three.treasures.tourism/?_rdc=1&_rdr

Three Treasures has been set up as a Responsible Tourism & Trading in Bagan in 2016 as a local social enterprise. They create jobs and improve livelihoods by bringing marginalized members of the community into the tourism industry in a responsible way. As a start-up social enterprise, they are working in collaboration with these stakeholder communities in a few villages to provide training and develop new community-based tourism experiences for guests.

Uncharted Horizons Myanmar  https://www.uncharted-horizons-myanmar.com

Take an off-the-beaten-track tour of Yangon and China State. Learn about Burmese culture while supporting marginalized communities in an area with little tourism but great potential.
This is a small travel agency based in Yangon, specialized in taking guests on real adventures, off the beaten tourist trails (Trekking, Mountain Bike, Adventure Tours) With a strong focus on Eco- and community-based tourism.

**Veranda Youth Community Cafe (Hpa-An)** [https://verandacafe.weebly.com/](https://verandacafe.weebly.com/)  
[https://web.facebook.com/veranda.hpaan/?_rdc=1&_rdr](https://web.facebook.com/veranda.hpaan/?_rdc=1&_rdr)

Veranda is not only a café. It's also a cozy and unique space for meetings, workshops, concerts, film screenings and much more! It is also an independent networking and co-working space for young people and civil society initiatives. Above all this, it is a pilot project of social business generating resources for future community activities. Our aim is to promote the value of sustainability through working with local products, ecological materials and other methods introducing the concept of responsible consumption.

[https://web.facebook.com/yangonbakehouse/?_rdc=1&_rdr](https://web.facebook.com/yangonbakehouse/?_rdc=1&_rdr)

Everyone loves delectable baked goods, and this café is one of the best. Many disadvantaged women take advantage of the job opportunities, skills training and fair wages of the bakehouse, which also provides training in areas beyond hospitality.

**Other Myanmar Social Enterprises**

**Palaung Tea Grower and Sellers Association** (Association) Education

**MBE (Association)** Vocational training for physically disabled

**Mandalay Rice Millers' Association** (Association) Insurance and assistance to farmers

**Byamaso Social Services** (Association) Funeral service, in-patient and out-patient health care, old age care, education and community development

**MBEC (Cooperative)** Micro-loans for farmers

**Good Sleep** (Cooperative) Produces and sells bed nets

**Good Night** (Cooperative) Candles, vocational training

**Good Job** (Cooperative) Vocational training for women
Ayeyarwady Foundation (Foundation) Schools, hospitals including PPP projects

Shwe Min Tha (Foundation) Vocational training and job coaching programme to physically disabled individuals

HTOO Foundation (Foundation) Builds schools, hospitals and orange orchards

Marie Stopes (INGO) Public health, HIV aids, maternal health, medical relief and gender based violence

Myanmar Ceramic Society (NGO) Livelihood development and micro finance for pottery families

Free funeral services (NGO) Funeral services, health, education

FREDA (NGO) Forest Resource Environment Development and Conservation Association

Pact Myanmar (Microfinance institution) Microfinance

Phaung Daw Oo Monastic Education (Monastery) Education and vocational training

Hamsa Hub (Private) Consulting for business development for both SEs and traditional for profit enterprises. Promotion of sustainable business, engagement of CSR programmes.

Green Waves Social Enterprise (Private) Economic empowerment, access to water and funding for social entrepreneurship for landless farmers Cyclone-hit regions

Tun foundation Bank (Private) Donates 100% of the profit from commercial activities to education, health and culture

Hualone Hla Pinle Free (Unregistered charitable organization) Clinic Free health clinic that is run on a combination of private donations and volunteerism

Opportunities Now (INGO) Provides entrepreneurial education to poor, minority group young people aged 17-25. Partners with start-ups to generate revenue.

Project Hub Yangon (Private Company) Provides space and incubation programmes to help grow startups. Also offers networking opportunities and information sessions for entrepreneurs

Sustainable Business Myanmar (Private Company) Open platform that brings several ecosystem players interested in social businesses together.
Introduction to Social Enterprise and Social Business  
Foundation for Local Development (FLD), 2011

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*Summaries of more than 100 Awardees Social Enterprises*  
https://www.schwabfound.org/awardees

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