

Social enterprise a new tool in the NGO sector?

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Social enterprise is a buzzword at present. Government is excited, social enterprise hubs and incubators are springing up – but is there anything really new out there, and how does it relate to traditional organisations working in international relief and development?

The UK Office of the Third Sector describes social enterprise as:

“businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners.”

This definition is a long way from the traditional charity model of most UK NGOs, but there are two aspects of social enterprise particularly relevant to development organisations.

1 Social enterprise as a funding model

In a sector reliant on constant fundraising, sustainable funding is a crucial issue. Moving beyond charity shops and seasonal gifts, a social enterprise model asks how activities central to an organisation’s mission can generate income. These ensure sustainability, but also scalability – the ability for projects to expand based on limited investment funding rather than ever-increasing grant funding.

Teach a Man to Fish, an international NGO and Bond member, supports educational institutions in developing entrepreneurial activities – often in agriculture – as part of their curricula. Students learn useful skills, their products enter local markets, and activities contribute to schools’ sustainability.

In Mozambique, Wings Like Eagles is developing year-round commercial helicopter services in order to locate and operate disaster relief operations during the rainy

season. As well as building indigenous disaster relief capacity, the programme will result in additional jobs, technical expertise, and commercial infrastructure.

2 Enterprise as a tool for poverty alleviation

Rather than support dependency, social entrepreneurial tools such as microfinance enable poor people to develop their own opportunities. Microfinance schemes are already well known and used by organisations from NGOs to social banks – Grameen being the best known. With capital available, other social companies such as Grameen Phone can provide further products and services tailored to poor people.

Fairly traded goods are another area in which NGOs support poor people to engage with markets. Certified food products have the highest profile in the UK, but craft and clothing products are fairly traded by a range of organisations. For UK consumers such products represent a physical link to people living in developing countries, as well as a lifestyle choice that goes beyond the donation of money to charity.

Why is this different?

The examples above show NGOs brokering and investing in relationships and opportunities that stimulate markets to achieve social ends. Such thinking moves beyond the traditional, bureaucratic logic of time-bound projects. It sees NGOs as catalysts of social change, introducing relevant external knowledge and finance at points where they can leverage opportunities for sustainable social benefit. It recognises that markets can support positive social outcomes in a way that grant-funding cannot, and it often exposes organisations to the disciplines of focus and relevance that come with operating within a market.

An evolutionary process

Aspects of social enterprise thinking have always been present in the UK development sector. The difference now is the evolution of organisations whose business models are based on generating sustainable income through service delivery.

As new models evolve, ideas from such organisations are going to affect the ways that NGOs work, both in how they utilise markets to provide sustainable social benefit, but also in how they structure and fund themselves. We are already seeing new funders appearing with greater focus on social investment rather than grant-giving.

Whilst social enterprise is certainly not the development panacea that some might claim it to be, it is a useful tool in the poverty alleviation toolbox, and one which may well become more, not less, important over time.



• Girls Beekeeping at Lwak Girls Secondary School, Kenya © Teach A Man To Fish

Additional information

UK Office of the Third Sector:
www.cabinetoffice.gov.uk/third_sector/social_enterprise.aspx

Wings Like Eagles: www.wingslikeeagles.net

Teach a Man to Fish: www.teachamantofish.org.uk

Grameen Bank: www.grameenfoundation.org

Grameen Phone: www1.grameenphone.com

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