

Catalyzing Sustainable Social Enterprises in Haiti and Other Developing Countries

Summary of USAID/DIV Proposal submitted

Social enterprises—businesses that profitably solve social and environmental needs—create meaningful benefits to millions of individuals in developing countries. The scaling of social enterprise is constrained by: 1) inadequate business and leadership skills, 2) limited access to capital, and 3) limited business advisory networks. This project will address these barriers to stimulate and support social enterprise in Haiti. The project will establish Social Enterprise Catalyst Centers (SECC) that will:

- 1) **Identify:** entrepreneurs and viable social enterprises will be identified from new and existing relationships initially in three communities in Haiti.
- 2) **Train:** a comprehensive business training program, using a cascading intergenerational leadership model that identifies and supports future entrepreneurs; social investing training for banks and MFIs; metrics and reporting training on use of IRIS (Impact Reporting and Investing System) and GIIRS (Global Impact Investing Rating System) in enterprise assessment, financing, management, and reporting.
- 3) **Connect and Sustain:** facilitate participation in private and public social networks for global social enterprise (e.g., Microlinks, W1sd0m); provide access to experienced mentors locally, from the diaspora, and from the larger international community, with inclusion in a comprehensive “Knowledgebase” as a source and analysis tool for social enterprises and appropriate sustainable technologies.
- 4) **Fund:** facilitating access to “Impact Investing” financing through local (microfinance institutions and banks) and international partners (e.g., Mission Markets); identify and facilitate funding and technical support from corporate partners.

We will collaborate with multinational corporations to invest in local sustainable supply chains as in the “creating shared value” approach. These corporations will be partners in the long term sustainability of the SECCs. Within 4 years we expect to establish three (3) SECs that are cash flow positive, help launch 70 social enterprises, train 1000 potential entrepreneurs, create 400 sustainable jobs, expand a knowledgebase on appropriate social enterprises, and build an online community of at least 500 members.

Progress will be monitored and results evaluated based on the Global Impact Investing Reporting System (GIIRS) and the Impact Reporting and Investment Standards (IRIS). Full financial as well as impact measures will be recorded to assess the cost effectiveness of the project and facilitate its replication across the developing world.

Opportunity and Need

The growth of microfinance (a classic social enterprise) from startup to global industry underlines the potential for large-scale impact. Other examples of scalable social enterprises include biogas systems for cooking, cellphone technology for rural banking, microfinance, and

farmer information, restorative (and organic) agricultural methods, low cost water and sanitation systems, etc.

This project will create transformational support to social entrepreneurs enabling them to rapidly design, launch, finance, and grow their companies. The project will establish Social Enterprise Catalyst Centers (SECC) in three locations in Haiti. Specifically the SECCs will identify potential social entrepreneurs and train them in leadership and management skills. We will help them identify viable social enterprise opportunities, support their launch, financing, and acceleration of each enterprise, provide mentoring, technical, and advisory services during the crucial early phases and connect the entrepreneurs to a local and global support network. Materials and methods will build on existing enterprise development initiatives globally and in Haiti (GEP's Entrepreneur's Toolkit and earlier initiatives such as MarChe, HIFIVE, and the BDS system) and will be supplemented with an extensive knowledgebase of social enterprise models and appropriate technology, rigorous impact monitoring and reporting, and transformational teaching methods. The entrepreneurial database will be an extension of the existing Konekte application developed by the Garnet Group for the Clinton Global Initiative's Haiti Action Network, which can be adapted globally.

Our innovation solution builds on the four elements mentioned earlier: social enterprise; intergenerational leadership; accessing existing knowledge regarding appropriate technology and business models, and the new "shared value" efforts of major corporations. Our approach builds on the rapidly multiplying models for social entrepreneurship worldwide. We plan to work with partners such as Appropedia (appropedia.org) to help identify great business opportunities internationally and share them with local entrepreneurs. We will use emerging "Impact Investing" financial tools such as Mission Markets' ACCESS to facilitate the financing of the ventures. Mission Markets is capable of facilitating investment throughout the lifecycle of social enterprises.

An emphasis will be on sustainable social enterprise opportunities that meet a solid long term demand (local or international), can result in employment with dignity, have short break-even periods and are appropriate for country conditions and the entrepreneurs' level of technical training. The project will establish collaboration with multinational corporations willing to invest in local sustainable supply chains as in the "corporate shared value" approach. The long term objective is to demonstrate and replicate a scalable, high triple-bottom-line (TBL) return approach to stimulating sustainable SME establishment and growth in developing countries.

Business Model

The business model for this approach is based on a combination of outside financing and internal revenue. The outside financing will come from donors, local government (in infrastructure support), and corporate philanthropy. Each SECC will be its own profit and loss center regardless of its source of external funding and will generate revenues from fees for advanced workshops, fees on successful financing of enterprises, success fees for business development services, and services provided to corporations for training and mentoring their suppliers.

Successful graduates will be encouraged to contribute both expansion and human capital back to their Centers for both expansion and human capital back to their Centers and to launch new Centers.

Initial interest in such initiatives as the HIFIVE project in Haiti, and successful business plan competitions throughout the developing world, attest to the demand for support services for entrepreneurship. Social enterprises span the range from some of these traditional entrepreneurs through those individuals creating solutions out of necessity. The SECCs will provide services for this spectrum at prices ranging from free workshops and group training programs for the very poor, through paid immersion workshops and hands-on mentoring. Target clients will include those with a range of education levels. Because of high formal sector unemployment levels, the demand for entrepreneurial training and small business support in Haiti is likely to be very high. In addition, a strong incentive for participation is access to impact investors.

Although each Center will operate with its own P&L after initial startup investment, all informational, educational, technical, and business development information will be shared among all of the Centers. Operational costs for each center will be relatively low with only a few permanent staff and visiting high level instructors. It is expected that each Center will be breaking even after 2 years of operations. The Centers will be staffed by experts in business education and communication. Entrepreneurs will receive additional training by a series of international experts in leadership, business, social entrepreneurship, accounting, sales and marketing, green design, etc. Some training programs will be led by the international experts but most will be implemented and all will be heavily supported by national Center staff. Successful Center leaders will be encouraged to plan and establish additional Centers once their current Center reaches financial break even.

Implementation

We will hit the ground running due in large part to the C4LS's Sustainable Haiti Coalition (SHC) which currently has 325 members. Through the SHC newsletter, and in public forums, we will alert the diaspora of emerging opportunities for investment and education. There are multiple social entrepreneurs in Haiti currently seeking the SHC's support, some of whom we have assisted both in-country and remotely. These include "Mon Pay Ma Cuisine," (Tamara Apollon), solar freezers targeted to street vendors, with health and food security benefits, an ecotourism bicycling project, and more. Projects and entrepreneurs will derive from our local partners including: John Engle's Education and Community Leadership/Empowerment training (AID funded), Grass Roots United (NGO and international volunteer hub), Nouvelle Vie Youth Leadership (permaculture and community engagement training), Life Giving Force (water filters), and the USAID HED - Higher Education for Development Univ. Network in Haiti/US D.C. Office. Other collaborations will help generate entrepreneurial leaders and enterprises including: Haitian Fund for Innovation; Food for the Poor, Healing for Haiti, and the Haitian Partners for Christian Development. Our team's deep experience in alternative and renewable energy and sustainability will also allow the development of multiple energy and water-related social ventures.

By providing a viable source of impact investment opportunities to our financial partners, we will facilitate the forecasted expansion of impact investing capital and help grow this financial ecosystem (see JP Morgan report on Impact Investing¹). JP Morgan and partners suggest the impact investing sector could be as large as \$400 billion to \$1 trillion in 10 years. This expansion implies a corresponding explosion of successful social enterprises; the issue is simply where they will be located, what products and services they will provide, and, once created, how they can function sustainably.

Evaluation

Evaluation and reporting impacts are key to success for general entrepreneurship and especially for social enterprises seeking impact investing. Investors demand financial transparency and impact investors are demanding key performance indicators for social and environmental impacts as well. The project will require and train entrepreneurs in reporting methods for standard financial metrics and will use the Impact Reporting and Investment Standards (IRIS) for all companies. Companies seeking international investments will be trained for and will use the Global Impact Investing Reporting System (GIIRS) partially financed by USAID to facilitate their financing and show their positive as well as their negative impacts. The SECCs will also use a GIIRS rating and IRIS system for most project monitoring and evaluation and will establish other project specific metrics where needed. The evaluation system will be a key tool in replicating the more successful social ventures and the Centers themselves and is a central part of the project's goals.

Key Personnel

Jonathan Cloud, an entrepreneur with almost forty years of experience ranging from community organizing, research, consulting, policy development, appropriate technology for sustainable development, to innovative financing for SMEs. He was a Canadian government official in energy and environmental policy, statistics, research methodology, and consumer and corporate affairs; and subsequently founded three successful companies and two nonprofits. Co-founder of the Sustainable Haiti Coalition, speaks French, MA Sociology, York University, BS, Psychology, Victoria University of Wellington, New Zealand.

David Meyers—over 25 years of experience in impact investing, sustainability, international conservation and development, entrepreneurship, ecology and evolution, business management, and economics. Serial entrepreneur: Bluenet Ventures (an incubator) and Madagascar Bamboo (a triple-bottom-line flooring manufacturer). First CFO and COO of Mission Markets, an Impact Investing financial services company. Lived and worked many years in Madagascar. Fluent French. PhD in Biological Anthropology (Duke) and MBA (Yale).

Deepak Kenkeremath, The Garnet Group—over 35 years of experience in technical and economic analyses of issues related to energy (both conventional and renewable), environment,

¹ http://www.jpmorgan.com/cm/cs?pagename=JPM/DirectDoc&urlname=impact_investments_nov2010.pdf

and water resources technologies. Proven expertise in program development, program evaluation metrics, technology transfer/technology utilization, organizational management, commercialization strategies, and export promotion. Worked for major U.S. federal and state agencies, including USAID; electric utilities; international funding institutions; non-governmental organizations; and foreign governments on projects in developing nations on four continents. Bachelor of Mechanical Engineering and a Master of Engineering (Ocean Engineering) degree.

Douglas Cohen has a 20-year career as a strategic organizational development professional, as a multi-sector leadership coach with companies, industries and regions, and with government, business, civil society, and education, to create solutions and collective pathways to sustainability. Trains clients in organizational learning and whole systems design. Chair of National Youth Initiatives for the US Partnership for Education for Sustainable Development (UN/UNESCO). B.A. Psychology, Evergreen State College, Olympia Wa.; M.A. / ABS Applied Behavioral Science, The Leadership Institute, Whitworth College, Seattle/ Spokane, Washington.

Matthew Polsky, Senior Fellow for Sustainability Innovation & Multidisciplinary Thought, Institute for Sustainable Enterprise, Fairleigh Dickinson University; and Manager of Land Trust for the Passaic River Coalition, an NGO. Extensive sustainability and green economy experience, cross-sector experience in government, environmental groups, business, and as an adjunct professor. Sustainability Team Leader at the NJDEP. Taught sustainability courses at several colleges. BA, Rutgers College; and MBA, MA, and pursuing a Certificate in Global Affairs, New York University. Several volunteer consulting experiences in Central and South America and South Africa.

Dawn Ward Stith, IntegrityWise Consulting, , has over 15 years of experience in financial, business, legal and public advisory services in the US and East Africa. Consults to literacy, health, education and nutrition nonprofits as well as government and sustainable businesses in strategy, change management and risk and compliance. Worked in compliance and litigation with two Big 4 accounting firms and provided business process and project management services to businesses and federal agencies including DoD. National Society of Black Engineers Alumni Extension. B.S. degree, Industrial and Systems Engineering; J.D. George Mason University School of Law; New York Bar.

Advisors:

- **Lonny Graffman, Appropedia**
- **Gerard Farias, Associate Professor of Management, Silberman College of Business, Fairleigh Dickinson University**
- **Joy Benedetto, Human Unlimited Media**
- **Lou Radja, EduCongo**
- **Lanyi Fan** - representing Non-Profit Arts, Culture & Sustainable Development programs in Senegal, Mali, Guinea, West Africa

Haitian Fund for Innovation; Food for the Poor, Healing for Haiti, and the Haitian Partners for Christian Development, will provide local points of entry, services, and support structures for SECCs.

Competitive Landscape

Various kinds of support to social entrepreneurs have come from organizations such as Ashoka, Acumen, and Grameen; but in general, social enterprises desperately need additional support and financing to scale. Given the current global and local issues such as climate change and increasing food and water insecurity, sustainable / social enterprises are key growth opportunities. An educated, sustainability oriented group of entrepreneurs can help populations adapt more quickly and reduce the need for foreign aid. In *Building Social Business* (2010), Muhammad Yunus describes both the local and the global infrastructure needed to support social businesses. We believe that effective leadership is a key to success and it will be a central pillar of the project.

Business incubation has been supported by the IFC and the World Bank in developing countries. The IFC has established SME business support services (including the SME toolkit <http://www.smetoolkit.org/smetoolkit/en>) and support several “incubator” type programs. The World Bank has supported technology incubators with the Infodev program (<http://www.infodev.org/en/project.22.html>), and there are technology-based business incubators in many developing countries. Business support centers in developing countries have traditionally been focused around the internet and information technology (WB, EU models) or on agribusiness (USAID, MarChE, etc.)

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Partners, Collaborators, and Supporters:

**The Garnet Group
Deloitte Services LP
Sustainable Haiti Coalition (323 members)
Partners Worldwide
And Multiple Local Partners**

November 11, 2011

Jonathan Cloud
Sustainable Haiti Coalition
New Jersey

Jonathan,

After reading your document “Catalyzing Social Enterprise in Developing Countries” I am struck by the fact that the three barriers you identify to the creation and scaling of social enterprise are the same as those we have been addressing in our work with existing SMEs around the world. You list “inadequate business and leadership skills, limited access to capital, and lack of business advisory networks” as the three barriers. Since 1999 we have been partnering with small and medium Haitian businesses by offering basic business training, business mentoring through our extensive network of business people both in the U.S. and Haiti, and access to affordable loan capital. In addition, we are outspoken advocates for existing businesses in Haiti. Operating a viable business in Haiti is very difficult and they need to be supported in every way possible.

Your proposal to establish Social Enterprise Catalyst Centers is very timely and much needed. Recently we have become more aware of goods and services flowing into Haiti that compete with the local private sector. A couple examples that came across my desk this week are a Dutch TV station sending in four containers of hand sanitizer when it is already produced in Port-au-Prince by Farmatrix, a reputable company that makes over-the-counter pharmaceutical products. Another example is that of an NGO from the U.S. sending in three million doses of worm medicine—also produced in Haiti by the 4C company. In addition to providing technical support for existing businesses we also need to get the word out to well-meaning organizations the importance of supporting local productive capacity by purchasing in Haiti whenever possible.

Your proposal to scale your model by use of franchising is right on. I believe Haiti is ripe for the franchise model of economic development. Microfranchising is powerful since it relieves the local entrepreneur of the “creative burden” of starting something from scratch. Once you have a tested “recipe” it is much easier to multiply it in many locations.

Jonathan, I want to encourage you as you proceed with the development of this concept. I look forward to working in partnership with you and the Haitian business community, as you multiply the opportunities for micro business success. Blessings on your work.

Sincerely,

Dave Genzink
Haiti Jobs Initiative
Partners Worldwide