

Day 2 Summary

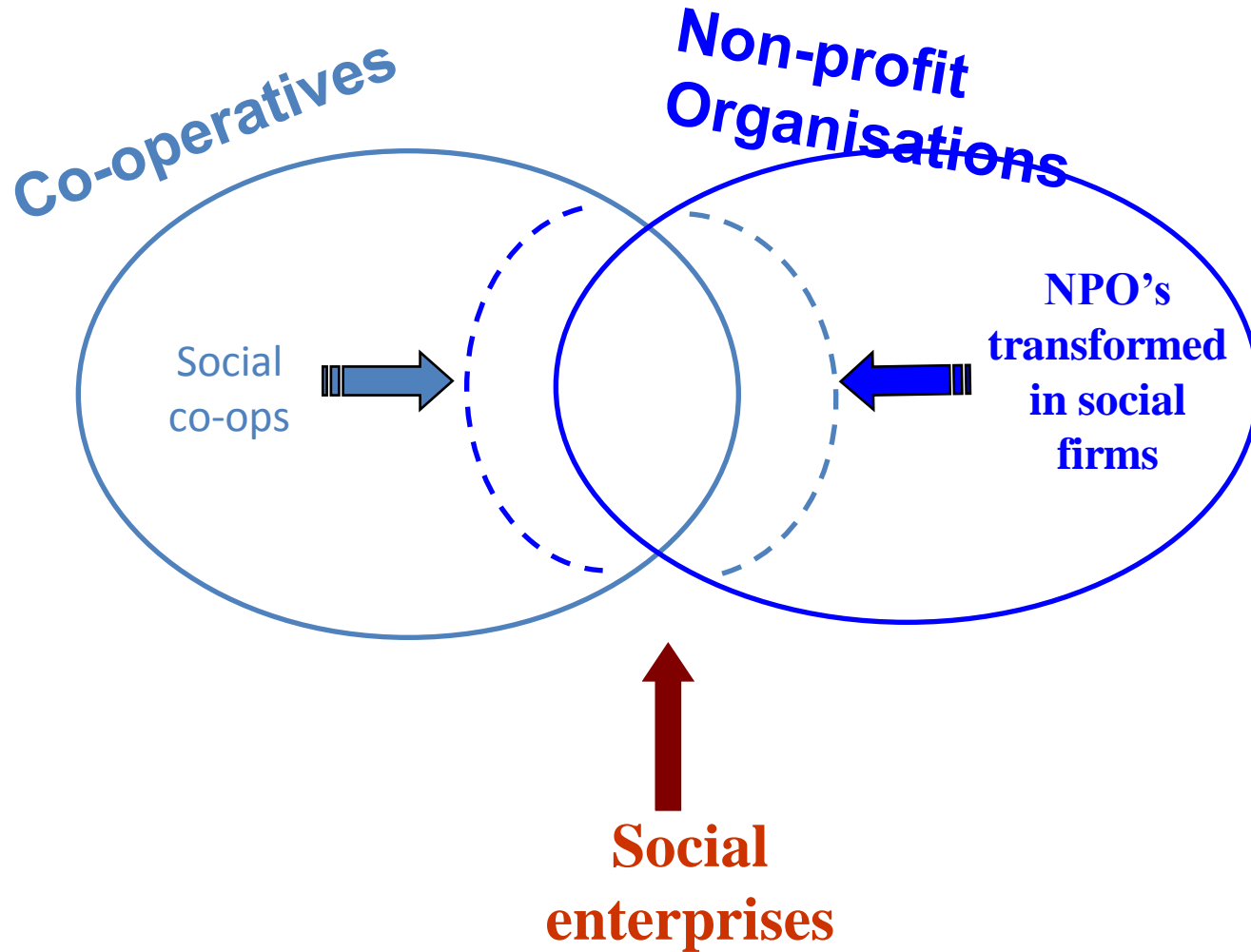
**Workshop on Social Finance for SMEs with a CSR
Agenda**

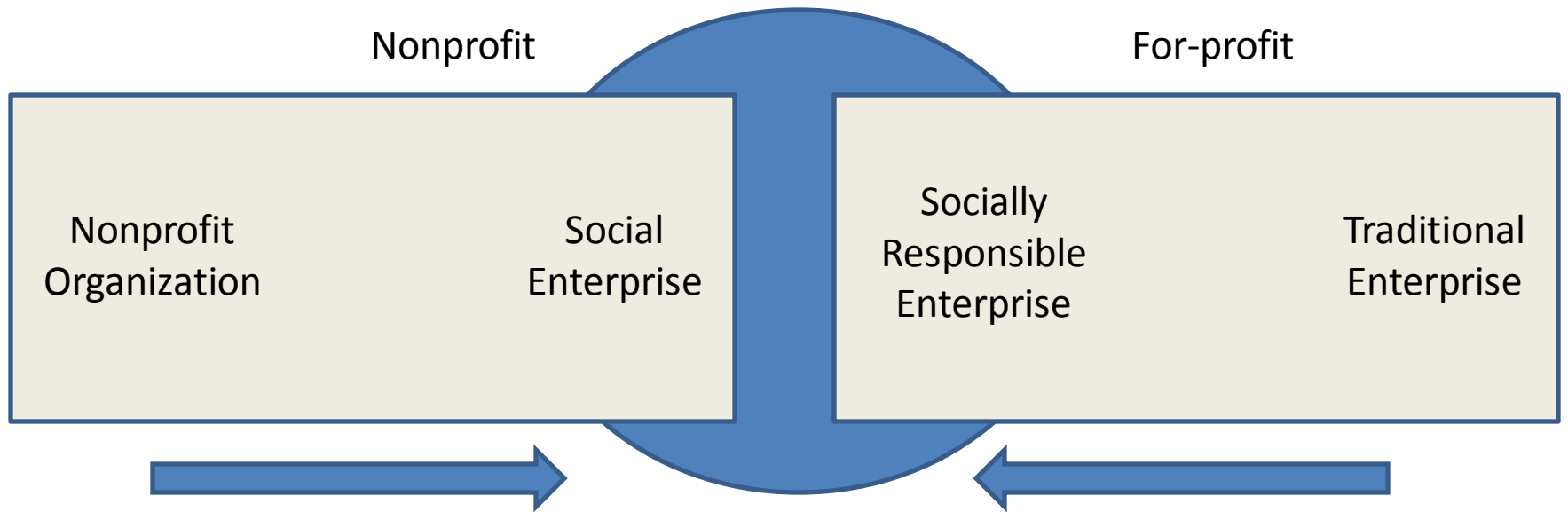
9 to 13 March 2009

Kuala Lumpur Malaysia

What is a Social Enterprise?

- Social mission (poverty alleviation, empowerment of people, address basic needs, etc.)
- Charitable work
- Benefits the community





How is a SE different from organizations with same mission?

- Engaged in income generating activities
- Sustainable, not dependent on grants

Other Elements Affecting the Definition of SEs

- Utilization of profits
- Democratic Ownership and Governance

What characterize the operations of a SE?

- Ethical business practices, transparency
- Sustainability – environmental, financial, etc.
- Relationships
 - Participatory
 - Fair Trade
 - Cooperation, Solidarity
- Performance Measurement
 - TBL
 - Welfare flows (Capital, logistics, information)

Roles and Benefits of SEs

- Direct
 - Credit and other financial services
 - Trading and Related Services (Product Development)
- Indirect
 - Community Organizing/Development
 - Training
 - Social Awareness
 - Impact
- Benefits
 - Employment
 - Cooperation
 - Social Transformation
 - Forward/Backward Integration

Performance Measurement of SEs

- Economic Parameters
- Ethical Parameters
- Social Parameters
- Environmental Parameters

Challenges to the Development of Human Capital

- Human capital = stakeholders (beneficiaries, staff, management, volunteers, partners)
- Constraints (educational levels, attitudes, culture, etc.)
- Economic challenges (wages, labor migration, etc.)
- Leadership (Developing the passion, commitment to the mission)

Challenges and Opportunities

- Challenges
 - Financing
 - Competition
 - Access to technology
 - Rising costs
- Opportunities
 - New markets (VC financing, mainstream/solidarity markets, etc.)
 - Financial Crisis

Types of Financing for SEs

- Recognize that SEs have economic development and social development activities
- SEs also have finance and non-finance needs
- FIs can focus on finance needs for economic development activities
- These can be provided in a number of ways to meet the needs of SEs for working capital, fixed assets and other financial requirements.

FI Adjustments to meet SE Needs

- Recognize that there are three areas where FIs can make adjustments – existing financial services, new FI services to SEs, FIs as partners to advocate for SE needs
- Existing financial services – lower interest rates, longer terms, gestation periods, security/collateral flexibility
- New services – technical support to SEs and/or their clients (as CSR)
- Partnerships – Policy advocacy to improve situation of SEs, access to new funds/funding sources/ guarantees, venture capital for SEs, tax incentives for SE capital contributions, etc.

Assessing SE Sustainability

- Sustainability – meeting needs of customers, financial reporting, Compliance with environment regulations, Scorecards
- Financial viability – products, growth pattern, financial reporting standards
- Social aspects – lifestyle of clients, risk grading
- Environment – product acceptability
- Governance – Price sensitivity, product innovation, etc.

Ethical Funds

- Attracting ethical funds
 - Social, ecological and economic ROI
 - Mapping out areas of interest/concern of ethical investors
 - Equity building
 - Strategic alliances
- Possible sources -- SHG savings, ethical banks, social investors, religious groups, government funds, social lottery, donor agencies

Institutional support for FIs to sustain focus on SEs

- Knowledge – exposure and dialogue with SEs, transparency of SEs, values and standards
- Technology – awareness of SE business models, credit references, techniques for SE lending
- Funds – funds to support capacity building, government policy
- Markets – appropriate financial products, solidarity products