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
Social enterprises
transformed in social firms

Co-operatives

Non-profit Organisations

Social co-ops

NPO’s transformed in social firms

Social enterprises
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