Assessing the Role of International Organizations in the Development of the Social Enterprise Sector

Angela Hoyos
Diego F. Angel-Urdinola
Abstract

This paper examines the contribution of international organizations to the development of the social enterprise sector worldwide, and assesses the types of programs and policies international organizations are using to promote this agenda globally. The results indicate that international organizations’ support to the social enterprise sector has consisted primarily of providing financial resources, notably grants. However, international organizations’ contributions to developing sector-specific policies have been limited. Furthermore, many programs that are supported by international organizations remain largely unassessed. The paper proposes a set of policy recommendations directed primarily to international organizations and the public administration, to improve and enhance the development of the social enterprise sector.
Assessing the Role of International Organizations in the Development of the Social Enterprise Sector

Angela Hoyos
Northwestern University

Diego F. Angel-Urdinola
World Bank

JEL Classification: L30, L31, L33, F53, O35.

Keywords: Social enterprise, social innovation, international organizations, entrepreneurship, public-private partnerships

Corresponding Author: Diego F. Angel-Urdinola (dangelurdinola@worldbank.org)

1 This study was prepared with support from the Middle East and North Africa Multi-donor trust fund (MDTF) (TF015739 – Promoting Social Entrepreneurship in MENA). The authors benefited from valuable comments, strategic guidance, and support from Professors Dr. Anand Sharma and Stephen Glenn Harding, MPA (Northwestern University).
I. Introduction

This paper examines the contributions of International Organizations (IOs) to the development of the Social Enterprise (SE) ecosystem worldwide. In the context of this paper, international organizations, from now on also referred as IOs, are defined as organizations constituted primarily by member nations (sovereign states or a single state), have an international scope and presence in many countries, and are responsible for administering official development assistance (ODA). IOs could be multilateral\(^2\) or bilateral.\(^3\) The study constitutes the first attempt to develop an inventory of interventions supported by IOs to promote the SE sector globally. Based on the assessment of the inventory, the paper also proposes a policy framework, directed mainly to IOs’ support of the sector, to improve and enhance its development, as well as increase public awareness of its importance and potential influence in poverty reduction and social welfare worldwide.

SEs operate under many models of service delivery (NGOs, cooperatives, traditional start-ups), financing, and regulatory frameworks (Darko and Quijano, 2015). Despite the differences, however, there are common features in the concept of SE, such as limited distribution of profits (unless beneficiaries are communities themselves), high social effect, and a social purpose as well as a commercial purpose. In different countries, SEs may take the form of sustainable citizen sector organizations, grassroots social initiatives with earned incomes, cooperatives, enterprises that trade for a social purpose, enterprises with high social influence, businesses with a social mission, local initiatives, and branches of global ones (Defourny and Nyssens, 2010 and Kerlin, 2006). SEs are not governmental bodies (owned and run by the state), they are not charities (which rely merely upon donations), and they are not private businesses (which operate solely to make profits). Instead, they lie somewhere in the middle of traditional profit and non-profit models.

While definitions vary, one clear fact is that such organizations are not necessarily a new phenomenon. Indeed, social enterprises have a proven record in the provision of high-quality and cost-effective health care services to low-income communities in a myriad of fields such as aging, disability, HIV/AIDS, reproductive rights, mental health, post-trauma care, rehabilitation and prevention (Drayton, 2006). Also, social enterprises foster alternative and innovative commercial platforms for the provision of goods and services to the poor (Poon, 2011). SEs have also received attention in recent years due primarily to their potential contribution to employment and social welfare (Buckingham & Teasdale, 2013).

Historically, IOs have supported the SE sector, especially during times of economic crisis. IOs often operate under complex guidelines and procedures that may undermine their capacity to respond to such crises efficiently and rapidly. To address these issues, IOs have opted to collaborate with grassroots organizations at the local level that are more flexible and are able to mobilize quickly and attend to the needs of the population in times of shocks (Borzaga and Galera, 2012 and Makoba, 2002). Indeed, during times of economic or social crisis (such as after a natural

---

\(^2\) Multilateral IOs are created as a consequence of international treaties between sovereign member states and/or other international organizations responsible for distributing the countries’ official development assistance (ODA) such as the Asian Development Bank (ADB), the World Bank (WB), the Inter-American Development Bank (IDB), the United Nations Social Impact Fund, and the European Union (EU).

\(^3\) Bilateral IOs are major development agencies created by a sovereign state with an international scope and presence responsible for administering civilian foreign aid, such as the UK Department for International Development (DFID), the United States Agency for International Development (USAID), and the Japan International Corporation Agency (JICA).
disaster), contracting out the delivery of some services to grassroots organizations has become a standard policy option (Bornstein and Davis, 2010).

Furthermore, many SEs worldwide have emerged and evolved because of technical and financial support from IOs, notably grants (World Bank, 2016). An example is the well-known Grameen Bank in Bangladesh. Since its establishment, the Grameen Bank has financed its activities with funds obtained at concessionary rates from external and domestic sources. To expand its programs, international donors provided most of the bank’s funds in the form of grants and low-interest loans. By the mid-1980s, donor agencies from other countries, including the Norwegian Agency (NORAD), the Swedish Agency (SIDA), and the United States Agency for International Development (USAID), had donated more than 230 million Tk. (Bangladeshi Taka), equivalent to approximately 3 million US dollars, to this institution (Schreiner, 2003), while the International Fund for Agricultural Development (IFAD) provided most of Grameen’s initial operating funds at a 3% interest rate (Khandker, Khalily & Khan, 1995). Indeed, the Bangladeshi story, in which the Grameen Bank was an important protagonist, triggered IOs’ interest in considering SEs important conduits of foreign aid. The Grameen Bank proved that it was possible for SE models to reduce poverty levels on a large scale (Khandker & Koolwal, 2010).

Notwithstanding, little systematic research has compiled information about IOs that conduct programs to support the development of the SE sector (types of programs, the number of beneficiaries, the size of investments, effects achieved, among others). As such, this study is a pioneer in the field to attempt to provide an inventory of programs and policies supported by IOs (multilateral and bilateral) to foster the development of the SE sector worldwide. Moreover, it is a first comprehensive attempt to compile an inventory and systematic review of the programs available that are financed by IOs. The review assesses the different mechanisms, interventions, and platforms that these organizations use to promote the SE’s global agenda.

The paper is structured as follows. Section II provides a description of the methodology used to gather the program inventory. Section III presents the program inventory (main results) and Section IV provides a detailed description of available evaluations of programs included in the inventory. Section V summarizes the main conclusions of the study and proposes concrete policy recommendations directed to IOs supporting the SE sector.

II. Data and Methodology

Data were collected based on an in-depth review of available programs financed by large, mostly multilateral and bilateral international organizations (IOs) that support the social enterprise agenda worldwide. The review takes stock of the different mechanisms, interventions, and platforms that these IOs are using to promote the social enterprise’s global agenda offered by IOs as of June 2016.

The first step was to establish a database of multilateral and bilateral institutions actively supporting the social enterprise sector around the world. International organizations (IOs), or organizations composed primarily of sovereign states (referred to as member states) or of other international organizations, were divided as multilateral and bilateral. Multilateral organizations were defined as those IOs created as a consequence of international treaties between sovereign member states and/or other international organizations responsible for distributing the countries’ Official Development Assistance (ODA), such as the Asian Development Bank (ADB), the World Bank (WB), the Inter-American Development Bank (IDB), the United Nations Social Impact Fund, and the European Union (EU). Bilateral international organizations were defined as major
development agencies created by a sovereign state with an international scope and presence responsible for administering civilian foreign aid such as UK Department of International Development (DFID), the United States Agency for International Development (USAID), Swedish International Development Cooperation Agency (Sida), Austrian Development Agency (ADA), and the Japan International Corporation Agency (JICA).  

The inventory includes information about programs sponsored by seven of the biggest multilateral donors (World Bank, UNDP, ADB, IDB, AfDB, UN, and EU), and by the bilateral development agencies with the largest ODA portfolios, including USAID (USA), JICA (Japan), SADC (Switzerland), Sida (Sweden), DFAT (Australia), ADA (Austria) and DFIF (UK).

Data collection ensured proper program representation across regions using the World Bank’s geographical coding to specify regions: Africa, East Asia and the Pacific, Europe and Central Asia (ECA), Latin America and the Caribbean (LAC), the Middle East and North Africa (MENA), South Asia, and North America (USA and Canada). Programs supported collectively or in partnership with various multilateral or bilateral donors were also taken into consideration.

First of all, a data collection template was designed to collect information for the database in a systematic manner. The inventory's template collected the following information:

- Type of intervention. This described whether the program consisted of technical assistance (TA), grant subsidies, access to finance, or web-based platforms.
- Program objectives and approach. This described the program's development objective and the methodological approach for its design and implementation.
- Geographical area of intervention.
- Type of financing. This described whether the finance assistance was in the form of a grant or a loan.
- Target population. This variable included different target groups by demographic condition (youth, women), by level of education (university graduates, technicians, and low skilled workers), and by socio-economic conditions (such as poor individuals, physically disabled, ethnic minorities, and former prisoners).
- Legal structure of beneficiary social enterprises. This item described the legal status (either NGOs, cooperatives, or microenterprises) that social enterprises needed to have to be eligible for a program.
- Direct or indirect beneficiaries. Direct beneficiaries are the different social businesses or organizations receiving support. Indirect beneficiaries are the individuals who would benefit from the program implementations (workers, clients, communities, etc.).
- Sectors of intervention. Sectors included education, health, agriculture, water, energy, sanitation, financial services, information technology (IT), financial services, and housing.
- Information on program budget (in US$ per enterprise per year) and program duration (in months) is also collected.
- Geographical target. This has to do with whether a program has an urban or a rural focus.

The majority of the variables (such as sector, target population, and type of financing) were not mutually exclusive, as many programs included more than one type of service, financing, etc. After the template was tested and adjusted (some adjustments were made after collecting

---

4 International organizations that are primarily private foundations were not included in the inventory. Many private foundations support the social enterprise agenda and most of their funding comes from private sector contributions. By contrast, the scope of this study is limited to government’s support of this global agenda, whereby resources that are allocated come directly or indirectly from Official Development Assistance (ODA).
information from a couple of available programs), a web-based search was undertaken, which thoroughly combed through various existing lists and databases maintained by large donors and international agencies operating in different regions. In most cases, a survey non-experimental research method relying on questionnaires or interview protocols, directly contacting project officers and program managers, for data collection, led to a more detailed review of available secondary information and, to collect as much information as possible, some of which was not available on the web. In many cases, interviews took place via e-mail exchange in order to collect all of the information necessary to fill up items within the template.

III. The Inventory

This section provides a summary of the main descriptive statistics of the program inventory. The inventory compiles information about 36 programs supported by IOs (56% by bilateral and 44% by multilateral organizations) (see Annex 1). The main descriptive statistics are as follows:

- **Program Type:** The great majority (83%) of all programs included in the inventory provided access to finance while about half provided some form of training as well as coaching and incubation services. Financial support provided by the programs was mainly in the form of grants (63%) while 20% provided loans. Only 17% of all programs provided both grants and loans (Figure 1).

![Figure 1: Type of programs supported](chart)

- **Target Region:** The majority of all programs in the inventory were implemented in the South Asia (45%) and Africa regions (42%); which are also the world regions with the highest poverty rates. About 17% of all programs were implemented in the East Asia and MENA regions; while the share of programs in high-middle income regions (notably ECA and LAC) was 14%. Only 6% of all programs in the inventory (2 programs only) were implemented in North America (US and Canada) (Figure 2).

---

5 Data collected are available upon request.
Type of Social Enterprise Supported: The majority of all programs (72%) supported NGOs that traded and aimed at becoming sustainable, social enterprise start-ups (67%), and development of cooperatives (56%). About one-third of all programs (31%) supported micro-finance institutions (mainly by supplying capital) that provided small loans to self-employed individuals.

Program cost and program size: Programs in the inventory display great dispersion in terms of the amounts invested by beneficiary enterprise per year. Nevertheless, the pattern that emerged from assessing the data is that over a third of all programs involve investments that are larger than US$0.5 million per enterprise per year (i.e., large programs) while another third of all programs involve micro-investments (less than US$20,000 per enterprise per year). The remaining one-third of the programs lies somewhere in the middle (Figure 3). In terms of program enterprise supported, a majority of programs (41%) tend to support less than 10 enterprises; notably the ones that involve large investments per enterprise. On the other hand, programs that tend to benefit a larger number of enterprises tend to be associated with lower investments per enterprise.

Program Evaluation: During data collection, particular importance was given to identifying if programs in the inventory disposed of a program evaluation and, if yes, assess the evaluation type and the availability of the results to the grand public. Here, it is worth mentioning that over 70% of all programs in the inventory are still ongoing. As such, their evaluations (albeit planned in some cases) have not been finalized. Taking this into consideration, we noted that almost half of all programs included in this inventory (47%) did not have any type of program evaluation, 25% conducted a quantitative valuation, 25% conducted a qualitative evaluation. Only one program in the sample has conducted a randomized impact evaluation (to assess program impacts on SEs and their beneficiaries).
IV. Program Evaluations

This section provides a brief overview of the available evaluations and monitoring reports assessing the impacts and outcomes of the different programs supported by IOs included in the inventory. Information about the various program evaluations was generated from published and unpublished reports available to the public. Unfortunately, as described before, only a few programs have information about program outputs and impacts. This occurs, partly, because many of the programs included in the inventory are ongoing, and their evaluations have not been yet completed. As such, data availability limits the capacity to generalize results or to make robust conclusions about the effectiveness of a particular program type. However, the information collected served to identify patterns related to multiple achievements reached by different social enterprises in terms of their capacity to outreach to populations that are traditionally not attended by traditional public or private actors and in terms of their cost-effectiveness to deliver some social services.

4.1. The United States Agency for International Development (USAID)

- **Social Entrepreneurship Accelerator at Duke (SEAD):** The primary objective of this program is to create an integrated global health social enterprise hub for diverse stakeholders across the globe. The program supported a first cohort of 13 social entrepreneurs in 2012 as they already presented successful models. Although the program will be completed in 2017, an early evaluation demonstrated that enterprises supported by the program had developed successful models that provide social services (contributing to the expansion of access and quality of health services delivered to families in extreme poverty) in Sub-Saharan Africa. LifeNet, one of the social enterprises evaluated, for example, had strengthened the capacity of local health care center partners by building their medical and administrative capacities and by granting them access to pharmaceutical and medical equipment. The evaluation report found that partner clinics saw a 72% increase in the quality of patient care as proxied by a quantitative analysis. Northstar, another social enterprise supported, developed a network of converted shipping container clinics placed along Africa’s transport corridors. The social enterprise currently serves over 215,000 people in 13
countries that were previously left out of the national health care system. Northstar had partnered with over 70 public and private organizations including Chevron, Heineken, UPS, and others that provide financing and technical support.

- Development Innovation Ventures Program DIV: This program brings together a diverse set of partners to discover, test, and scale breakthrough innovations to solve development challenges such as food security and nutrition, child/maternal mortality, access to water and electricity, child literacy, financial inclusion, and human rights among others. The program opened in 2014 and has already invested in 22 promising social enterprise ventures. While the program is still ongoing, early evaluations suggest that social enterprises supported by the program have managed to provide (mainly through the donation of chlorine dispensers) safe water to over three million people in East Africa. These easy-to-use dispensers, located at widely accessible water distribution points, are capable of preventing about 3.3 million cases of diarrhea and 3,200 child deaths — at just 2% of the traditional health care cost. Another DIV grantee, Off-Grid Electric, successfully raised $16 million in equity financing and an additional $7 million from the International Finance Corporation in 2015. Off-Grid Electric is working with the Government of Tanzania to bring affordable electricity to one million Tanzanian homes by 2017. Given these promising results, in 2015, the Governments of the United Kingdom, Sweden, and Australia, and the Omidyar Network, along with USAID, committed $200 million to expand this program.

4.2. Japan International Cooperation Agency (JICA)

- Bangland webpage program: The program consists of a web platform to raise awareness about social enterprise and, more specifically, to support Japanese social entrepreneurs that seek to develop sustainable and inclusive business in Bangladesh. The platform supports Japanese social entrepreneurs to connect with JICA's various stakeholders in Bangladesh such as the government, research institutes, business associations, and NGOs. The platform collects and disseminates information about social development and opportunities in the country. It also provides services such as consultancy and information about access to finance to support Japanese companies who want to develop social businesses targeting Bangladesh's base of the pyramid (BOP). Evaluation results indicate that due to the platform, the concept of social enterprise has gained popularity among Japanese companies and has led to some new initiatives to develop products and services targeted to the BOP population (4 billion people worldwide). However, the evaluation report does not provide information about how they measured such a gain in popularity. The report also indicates that some Japanese enterprises started to trade with poor farmers in Bangladesh and some new social enterprises (such as the Grameen Yukiguni Maitake) were created to link small businesses to value chains.

- Water and Sanitation for Better Sustainability: The goal of the program was to conduct a feasibility study that would support social businesses looking to improve water service delivery in poor communities in Bangladesh. JICA would provide concessional finance to providers that demonstrated a commercial presence in low-income areas and that had the capacity to scale up services. The evaluation report indicated that the results of the program were mixed, and that donors should continue to invest and develop the capacity of the private sector to deliver water services to low-income communities. Results indicated that financing was not the only constraint to service delivery and that key public stakeholders lacked monitoring and implementation
capacity to develop public-private partnerships (PPPs) with private sector providers (including national and local governments as well as water and sanitation utilities companies). According to the report, water tariffs were not sufficient to ensure real financial sustainability and affordability by the poorest of the poor. Also, private providers focused on attaining short-term outcomes due to perverse incentives in the design of the programs. For example, donors would require an implementing agency to construct 500 toilets serving 5,000 people in 2 years. That was easy enough given the available program financing. However, neither the program nor the government assured operational expenditures and maintenance, which undermined the sustainability and durability of investments. The report concludes that calls for proposals should require applicants to identify and support financially sustainable sanitation solutions instead of only building new infrastructure.

4.3. United Kingdom’s Department for International Development (DFID)

- **The Impact Fund Program**: the program provides capital investment to social enterprises that are otherwise unable to attract commercial investment and hence require early-stage capital and technical support. The program is channeled through organizations that have a clear strategy to invest in businesses that achieve positive impact on disadvantaged populations (producers and/or workers). Two Fund Managers administered the DFID Impact Fund: Novastar Ventures East Africa (Novastar) and Injaro Agriculture Capital Holdings (Injaro). In 2014, Novastar and Injaro reached commitments of up to US$15 million each. Evaluation results indicate that the Fund's portfolio was able to reach over 240,000 low-income beneficiaries in Africa and South Asia. The Fund was also instrumental in catalyzing further investments from both private and public investors. Several initiatives to support market building for impact investment in Sub-Saharan Africa and South Asia were launched or scaled up as a result in 2015. These initiatives were delivered by the Global Impact Investing Network (the GIIN) and included: (i) launching the "Base of the Pyramid Basic Services Programming Track", which brings together investors who are active or interested in financing access to basic services for underserved populations, and (ii) further development of the Impact Base Platform, which seeks to provide a global online directory of impact investing vehicles to connect impact investors. At the end of 2014, the database had more than 1,700 subscribers (Asset Owners) and 329 contributors (Asset Managers). Nearly 40% of subscribers in the platform indicated an interest in investing in Sub-Saharan Africa or South Asia and piloting the fundraising and ESG (Environmental, Social & Corporate Governance) modules of the Advancing Investment Management Skills (AIMS) Fund Manager training program.

- **The Business Innovation Facility (BIF)**. The main objective of the program is to support the development of innovative business models (through a competitive call for proposals) that make markets more inclusive and provide improved growth for poor and disadvantaged people. To enhance knowledge and awareness among potential applicants, a practitioner hub was created. Evaluation results indicate that during the years 2013 and 2014, more than 250 companies participated in the awareness raising (with an average of 10–15 social entrepreneurs attending per workshop/event). A total of 68 projects were selected and 46 projects involved individual TA interventions. Of this total, 40 projects received financial support. As of late 2013, 32 of these 40 social enterprises (80%) were making positive progress (2 businesses were flourishing, 17 were progressing well, and 13 were showing positive progress, albeit slow). The remaining eight
companies (20%) failed. The practitioner hub also displayed significant growth. By the end of 2013, the hub was reaching 6,000 unique visitors per month and had over 3,000 registered members. Visitors to the Hub came from more than 200 different territories.

- **Vietnam Business Challenge Fund.** Somewhat similar to the BIF, the program’s goal was to develop innovative, inclusive business models (through a competitive call for proposals) that deliver commercial benefits for the company and social impact for the low-income population. Developmental benefits included creating jobs, increasing incomes, and improving access to basic goods and services for poor communities. Evaluation results showed that 21 selected companies demonstrated high potential to meet innovation, inclusion, and commercial viability while targeting low-income households in Vietnam. By December 2015, supported companies had created over 9,000 new jobs and had contributed to increase the incomes of more than 70,000 people. All beneficiary companies increased their profitability and market share. According to the evaluation report, the success of the initiatives was explained by the fact that all business models brought low-income individuals into the core business of the company as employees, producers, distributors, and/or consumers.

- **African Enterprise Challenge Fund (AECF).** The AECF awards grants and repayable loans to companies with innovative business ideas in agriculture, agribusiness, renewable energy, climate change and access to information and financial services. The maximum amount the AECF awards to a single business idea is US$1.5 million, and the minimum is US$250,000. The goal is to fund innovative and commercially sustainable business ideas that have the potential to impact the incomes of rural households positively and to ensure that the funds have a catalytic effect by leveraging private sector investment in different social enterprises. Program evaluation results indicate that since the program began in 2008, and up to the end of 2014, 208 projects have been supported across 23 countries (49% in East Africa, 26% in Southern Africa, 11% Western Africa, 9% in Northern Africa, and 3% in Central Africa). Five projects are being delivered across more than one country. In Sub-Saharan Africa only, selected projects have benefited over 7 million rural people in 2014 alone. In December 2014, additional financing of US$401 million to beneficiary projects has been committed by the private sector. An in-depth analysis of 32 projects supported by the AECF that are over three years old was conducted in 2014. Results showed that 56% of all funded projects have had a positive growth rate in their revenue from their inception to date (20 out of 32 businesses). Successful business models were very diverse and included the provision of financial services, agribusiness, food processing, farming, and inputs supply, suggesting that there is no single sector or type of company on which AECF should focus and that diversity in the portfolio is preferable. Between June 2008 and December 2012, supported firms created approximately 3,750 new jobs. The gross revenues of participating firms in 2012 were US$100 million (about 2 million by firm, on average). Of this, AECF’s contribution (net benefit) was US$43.9 million, which was calculated by deducting baseline figures from US$100 million. The number of households that benefited during the same period reached up to 485,000 with a total of US$12.5 million paid out as wages. Results indicate that beneficiaries were mainly men (50% of which were below 35 years of age).

---

6 This program was supported by DFID in collaboration with the Swedish International Development Cooperation Agency (SIDA), and the Department for Foreign Affairs and Trade in Australia (DFAT).
- **Community Led Infrastructure Finance Facility (CLIFF).** The program supports the social enterprise REALL, a social venture that simultaneously invests in Community Development Enterprises working in the urban development sector and offers affordable access to financing to low-income families for low-income housing and infrastructure projects in the Global South. The purpose is to build self-reliant local enterprises capable of creating sustainable low-income housing and infrastructure projects. Evaluation results indicate that between years 2010 and 2015, beneficiary social enterprises supported the construction of low-income housing across 18 countries. In Kenya, NACHU, a local partner, became responsible for delivering more than half of all the affordable housing stock in Nairobi. In Zimbabwe, ZINAHCO, a direct beneficiary of the program, produced 60% of all affordable housing across the country in 2013. In Nepal, LUMANTI, another direct beneficiary, built relationships with private financial institutions, leveraging as much as 80% of the project costs from national banks in the form of investments. In 2014, through REALL, local social enterprises created new/ upgraded housing for 170,000 people, improved access to toilets for 277,500 indirect beneficiaries, improved access to water for 280,000 people, and secured land tenure for 1.9 million households.

4.4. **The Asian Development Bank (ADB)**

- **Regional Social Investment Exchange Initiative.** This initiative aims at promoting growth in the social enterprise sector by creating a social investment exchange, or a social stock exchange (SSE). This instrument is a mechanism to link social enterprises (SEs) seeking capital with impact investors wishing to generate both financial returns and a social impact with their investment. To complement the initiative, the ADB provided Technical Assistance to bring promising SEs together with impact investors through a web platform. Evaluation results indicated that the TA component of the program was successful as it stimulated awareness within the ADB and around the region about existing social enterprises and impact investors currently addressing poverty, social challenges, and environmental threats in the region. The platform, also, established ADB as an actor in the SE ecosystem, attracting interest from potential co-financers. Results indicated that the TA also brought social enterprises and social impact investors together at various national and regional forums, and indirectly contributed to the launching of a precursor (Impact Partners) to develop a regional SSE. Program results indicated that that platform brought together several practitioners and supporters of social entrepreneurship and impact investing in Bangkok, Mumbai, and Singapore. Unfortunately, evaluation results do not specify the magnitude of the achieved results (i.e. how much investment was attained, how many SEs benefited from the program, etc.). Another important conclusion of the program evaluation report was that the social enterprise sector of Asian countries remains at an early stage of development. Finally, evaluation results showed that investors were willing to increase their involvement in impact investment over the next few years. The vast majority of respondents favored the development of a social stock exchange, and a large majority claimed they would trade on it.

- **Microfinance for the Poorest.** The primary objective of the grant was to support Social Enterprises providing Micro Finance services to the poorest segments of the population. Following the methodology used by BRAC in Bangladesh, the program assisted a selected group

---

7 This program was supported by DFID in collaboration with the Swedish International Development Cooperation Agency (Sida).
of Micro Finance Institutions (MFI) that targeted rural people in Pakistan who had little income-earning opportunities but who benefited from the existing safety nets program. The program provided savings and lending products to the poorest segments of the population and well as financial literacy training. A mobile banking pilot project was also completed to make financial services available to the poorest, rural people using mobile phones. Available evaluation results indicate that the project reached the poorest segments of the population and provided them (for the first time) with some type of financial services. At least 15,000 clients (indirect beneficiaries) benefited from mobile banking service units, and at least 2,000 clients participated in savings pilots. At least 1,000 participants were trained for functional and financial literacy. Results indicated that mobile banking had the potential to be implemented and scaled up. Three pilot tests were implemented, completed and evaluated showing positive results in taking-up and in achieving positive trends in savings rates for the poor. After all evaluation efforts are completed, the ADB envisions continuing the support of social enterprises that prove to be successful.  

- Developing Financial Cooperatives Project. The primary program goal was to improve access and efficient provision of sustainable social enterprises providing microfinance services that, simultaneously, enabled low-income individuals and households to smooth consumption, manage risk, build assets and enhance their income-earning capacity. The program also aimed to promote the development of a sustainable microfinance industry in the Philippines and to improve the ability and performance of financial cooperatives (i.e. cooperative development authorities or CDAs). The program invested heavily in training for cooperative staff. Additional training was also provided to CDA regulators. Evaluation results showed that training sessions benefited over 600 cooperatives, 1,000 cooperative staff members, and 100 cooperative regulators by the end of 2008. Ten training sessions were conducted for CDA regulators by the end of 2009. Using a non-experimental quantitative analysis showed that the regulatory capacity of CDA improved as a result of the program, mainly by developing the agency’s management information system (to better monitor cooperatives’ compliance). Due to the system, there was an increased rate of cooperative compliance with higher CDA performance standard requirements. The results of the training have not yet been assessed.

4.5. The World Bank Group (WBG)

- Development Marketplace (DM): This program, in place since 1998, has provided start-up capital (mainly grants) to over 1,200 social enterprises worldwide, especially in East Africa, the Middle East, and South Asia. The primary objective is to provide advisory services and funding to innovative SE models – through a competitive process. The program receives applications from a broad range of social innovators and entrepreneurs. Applications go through rigorous, merit-based scrutiny by panels of development experts from inside and outside the World Bank, who short-list a group of finalists from a pool of applications. The finalists are then brought together at a face-to-face Marketplace event to present their ideas to the public and participate in networking and knowledge sharing events. At the same time, a jury comprised of corporate executives, investors

---

8 The ADB expects to launch a more in-depth randomized impact evaluation of the programs (with treatment and control groups) to assess the effects of the “financial literacy programs” on saving rates, frequency of deposits, the size of savings, and use of savings; whether for consumption or income generation. For mobile banking, evaluation indicators will include the numbers of savers and borrowers, the size of savings and loans, frequency of clients’ access to mobile banking services, and use of mobile banking services.
and funders, development professionals, and other experts meets with the finalist teams and collectively decides which projects merit DM funding. Traditionally, DM has been a worldwide competition with a yearly thematic focus. In the future, DM competitions are expected to become more country-focused (rather than thematic focus). While the program does not dispose of a formal evaluation report, the program’s website features about 30 SEs supported by the program that are currently trading, and are financially sustainable, and which are ready to scale-up or benefit from additional private investment. The social enterprises that made their way to the top 20 of the 2013 India Development Marketplace went through extensive due diligence and evaluations for their projects. Of the 20 selected enterprises in 2013, over 40% demonstrated to conduct indeed innovative business models to support and empower women living in low-income states. Selected enterprises proved to improve welfare outcomes of indirect beneficiaries (i.e. provided affordable health care for families; increased earnings of participant households, improved the local environment, etc.).

4.6. **African Development Bank (AfDB)**

- **Souk At-Tanmia.** The program Souk At-Tanmia (development marketplace) is a coordination between various international organizations and implemented by the African Development Bank (AfDB). It supports social enterprises in Tunisia providing loans, grants, and technical assistance. The primary goal is to identify, fund, and coach innovative grassroots projects that generate sustainable employment and distribute revenues within communities, especially in the country’s poorest regions. Projects are chosen based on profitability, feasibility, and employment generation. The program was initiated in 2013. In 2014, the program was evaluated. Results showed that, by the end of 2013, the program generated 437 new jobs. By the end of 2014, the program created, additionally, 641 jobs. To date, the initiative has raised US $1.2 million, which adds to the pool of in-kind contributions through various forms of support from partners (coaching/mentoring, capacity-building seminars, web design). To stimulate the development of small and medium-size social enterprises, projects eligible for loans used the seed money to secure more funding from the banking sector. Of 71 projects funded, 42 were able to raise additional funds from commercial banks; 63 projects operate in disadvantaged regions in Tunisia; 51% are programs that support youth; 33 % support women; and 34% of indirect beneficiaries of the program were unemployed.

4.7. **United Nations (UN - Global Compact Office)**

- **World Corporate Sustainability Initiative’s Network.** This initiative is managed by the UN Global Compact Office with the goal of facilitating business partnerships between social enterprises, corporations, investors and other stakeholders to advance innovative business models in emerging markets. The initiative undertakes a range of activities at the international and local levels (from raising awareness, coordinating events, and promoting private investment). The UN Global Compact Office offers social enterprises a webpage platform with three components:

---

9 This program was conducted with support of the United Kingdom’s Department for International Development (DFID), U.S. government (USAID), Danish government, United Nations Industrial Development Organization, United Nations Development Program, and International Labor Organization (ILO).
1. The Social Enterprise Action Hub, which is an online meeting place, or web page platform, that helps social entrepreneurs, corporations, impact investors and policy makers to exchange information and engage in partnerships. This platform enables companies on the Social Enterprise Action Hub to apply for financing from accredited investors, institutions, and government agencies.

2. The Collaboration Labs Connect, which links social enterprises and organizations of all sizes in interactive sessions. During the interactive sessions, stakeholders develop and refine solutions to current challenges, with the goal of deploying the business models developed.

3. The Partnership in Action Research Groups. The goal of this component is to disseminate knowledge about corporate social enterprise partnership best practices through webinars.

As of today, there are 156 countries with different global compact business participants (25% of Fortune 500 companies are signatories). 18,000 firms in the network trade on 16 partner Sustainable Stock Exchanges – a global sister initiative. 500 business schools have endorsed the principles of responsible management education, also a global compact sister initiative. There are US$45 trillion in assets under management, using the principles for responsible investment (a global compact sister initiative). In 2015, there was a survey that evaluated the efficacy of the program. 50% of survey respondents stated that the network has played a significant role in shaping their company’s vision, and 60% reported that it has played a significant role in guiding their sustainability outcomes and in motivating the company to take action towards broader goals. 17% of large survey respondents demanded their suppliers to adhere to the global compact network.

4.8. Inter-American Development Bank (IDB)

The IDB has been managing the Social Entrepreneurship Program since 1985 covering the Latin America and the Caribbean (LAC) regions. Under the program, the IDB provides technical assistance, loans, and grants to social enterprises that demonstrate innovative and sustainable solutions to alleviate poverty and unemployment. Projects financed are, mainly, small rural producers from marginalized communities. Projects funded are pilot initiatives that can be scaled up, thus providing a demonstration effect in providing essential services to needy populations. Under this program, the IDB provides, approximately, US$10 million annually to different projects in 26 countries. The reimbursable (loan) component for each social enterprise is up to US$1 million. Moreover, the average loan size is approximately US$700,000. The repayment period for these loans is up to 10 years, with a maximum grace period equivalent to the time of execution of the project (between 36 and 42 months). The interest rate on the loans depends on the characteristics of the project. The technical assistance component provides non-reimbursable funds for strengthening the technical, operational, or administrative capacity of social enterprises. In most cases, the maximum amount of funds for technical assistance in a project is US$250,000. Since its inception, there have been 645 direct beneficiaries (social enterprises) and 625,000 indirect beneficiaries (consumers, workers, clients). The IDB carries out impact evaluations for each project independently and regularly. Impact evaluations provide evidence of concrete changes seen in project beneficiaries attributed to project activities. These evaluations produce valuable insights and evidence to help expand, enhance or redirect their programs.
V. Conclusions and Policy Implications

With a few exceptions, such as the WB and the IDB, IOs have only begun to support the SE sector in recent years. The IOs’ support of the SE agenda focuses primarily on Southern Asia and Sub-Saharan Africa, the world regions with the highest poverty rates. Support for the SE agenda in the Middle East and North Africa, despite the fact that both are regions with great social needs, has been limited. This might be because of the many cultural and regulatory factors that restrict entry to civil organizations, religious aspects (most giving to the poor in this region is centralized through religious giving and taxes), and a general lack of trust between the public sector and NGOs. Nonetheless, the effectiveness, outcomes, and sustainability of programs financed by IOs aiming to support the SE sector remain largely unassessed.

The inventory shows that programs that support small SEs with micro-financing and start-up capital (through grants) are the most common. These programs tend to be costly. Indeed, almost half of the programs in the inventory supported investments surpassing US$200,000 per SE annually. These high costs may undermine program scalability and coverage. In some cases, IOs’ support to the SE sector serves to attract private investments. Program evaluations available have shown that financial aid provided by IOs served to test business models that traditional private sector actors would be unlikely to fund. Once a business model was tested, its subsequent success indicated that SEs were able to attract additional private funds that fostered their subsequent development and growth.

Programs that promote innovation and competition seemed to have higher levels of achievement and benefit most from financial support. Evaluations available have shown that calls for competitive proposals that award grants to the best projects based on their innovation and sustainability, performed better than did programs that were designed to develop a particular pre-identified sector, i.e., provision of potable water.

Programs that promote awareness and information about the SE sector seem promising and cost-effective. Given that the SE sector remains small and is novel in many economies, programs in the inventory that supported awareness about the SE agenda and access to information (websites, stock exchanges, etc.) seem propitious. An example is the UN Global Compact, a program that facilitates business partnerships among SEs, corporations, investors, and other stakeholders to advance innovative business models in emerging and frontier markets. The program evaluations available have indicated that, in general, such platforms heighten interest among private sector stakeholders, some of whom seem willing to invest. Further, web page platforms have proven to be effective mechanisms to raise awareness about the SE sector. Results available have indicated that, because of these web page platforms, the concept of SE has gained popularity among companies and led to some new initiatives to develop products and services targeted to the poorest segments of the population.

IOs are not systematically supporting regulation or macro-level policies to promote the SE sector. The inventory found no attempts on the part of IOs to either develop or advocate legal reforms to improve the SE environment or to develop policies, such as tax/procurement policies, to provide SEs with fiscal incentives or access to markets. Regulatory policies supporting the SE sector permit governments to facilitate market processes and deal with market failures in a more effective and efficient way while at the same time improving the spending of public money.

In general, programs supported by IOs are evaluated poorly, and the effectiveness of programs already completed remains short. Only a few evaluations available have measured the
effect of these programs, on poverty and employment, for example, and most evaluations are based on outputs, e.g., the number of enterprises supported. Further, the information provided in these assessments is limited and non-scientific.

5.1. **Policy recommendations**

Based on the analysis conducted above, IOs (and policy administrators) could consider the following policy directives when designing, scaling-up, and implementing policies and programs to support the SE sector:

a. **Identify successful business models:** Since SE is intrinsically a risky sector, IOs, in close collaboration with universities and think tanks, should identify which are the successful business models worldwide that are proven to address development challenges sustainably (such as micro-finance). Such business models can be tested, adopted, and adapted in different settings and countries. At the same time, IOs could continue to support and test different models of private-sector driven social innovations, and should collaborate with universities and business schools that are fostering social innovation labs. This approach is likely to reduce failure rates of social enterprise start-ups.

b. **Support access to finance:** With appropriate financial strategies, SEs can access a larger pool of investment capital than has been available to them previously, and social businesses of all forms can generate financial returns that will make them attractive to the right investors. To do so, and to address the structural divide in funding of SEs, IOs can act as agents that close the financial-social return gap. For instance, IOs can play the role of equity holders, providing start-up/risk-capital and incubation services to social enterprises to make them more attractive to private investors that may be unwilling to invest in SE business models at an early stage. IOs should continue to facilitate the financing of SEs through a diverse portfolio of funding, including competitive funds to provide capital risk to innovative and sustainable social business models. Identifying promising beginnings, investing in their growth, developing them, and channeling an appropriate share of their financial and social returns could be achieved through various mechanisms like community investment schemes, crowd funding, impact investment tools, and new commercial platforms that deliver more capital into the system of proposed sustainable development goals.

c. **Promote information and awareness:** IOs should continue to increase the public’s awareness about the sector, especially among private and public stakeholders. Such collaborations seem to be occurring and progressing but at a very slow pace. Awareness of the sector remains limited among citizens, decision makers, investors, and even researchers. An emphasis on its contribution and importance, together with success stories, could help to disseminate better the development potential of the sector. Within the last decade, there has been an increased interest in social investment’s potential to develop the SE sector. IOs can help develop awareness campaigns and take the lead in promoting the sector to channel private investment initiatives and mobilize resources designed to end extreme poverty. IOs also should invest more in research about the sector in different countries (providing state diagnostics about sector size, contribution to the GDP and jobs,
and potential growth). As documented throughout the study, there is a general absence of data and information about the SE sector (size, social influence, and contribution to economic growth and poverty reduction). It is crucial to create a more systematic and scientific approach to evaluating SE programs. IOs could become key partners in building this body of knowledge in close collaboration with practitioners, academics, and think tanks.

d. **Support the development of regulation:** IOs should encourage more policy dialogue to support the sector at the macro-level. For instance, evaluations available in Southern Asia have shown that governments in the region should reduce regulatory hindrances to small business activity and NGO financing, and improve access to “risk” capital. IOs can advocate changing these regulatory policies, as laws and rules pertaining to the sector could obstruct, rather than encourage, its development. IOs can serve as agents that support countries that might need to deregulate or consider modifying or creating new laws to provide incentives that advance the SE sector. IOs also could explore the feasibility of developing fiscal and procurement incentives targeted to SEs that foster their viability and development. For example, the legal frameworks in the UK and Vietnam give SEs access to market incentives (notably to public procurement). Such policies go hand in hand with certification so that participant SEs can demonstrate their social effects and social missions. In an attempt to improve the function of the market conditions for SEs, some countries have adopted certification programs as ways to identify, promote, and regulate SEs.

e. **Promote Certification:** Certification can be a tool to evaluate whether or not SEs are advancing their missions and alleviating pressing needs. Through promoting certification programs for SEs, IOs can forge trust to provide the right incentives to “risk-averse” parties. They also could contribute to capacity building and auditing, as forging governance is a key aspect of attracting investment in the sector. IOs can also facilitate the creation of public-private-partnerships (PPPs) between the public sector and social enterprises for the delivery of some social services. These arrangements could help governments collaborate with the business and social sectors to provide better educational, health, employment, and welfare services to vulnerable populations, particularly at the local / grassroots level.

Finally, IOs should consider systematic support of the SE sector, including a holistic approach that removes obstacles, enables the environment, and increases awareness about the industry’s potential. A mix of policies that enhances the overall investment climate, coupled with higher levels of awareness about the social and economic potential of SEs, could become the starting point of a vibrant new private sector that creates and develops the SE sector globally. The new phase of the social enterprise movement seems to arise out of a pressing need. Governments globally cannot alone deliver all social services to the poor; while social needs appear to keep changing and increasing. The social sector, despite its limited size and capacity, is nowadays called on to complement the state in providing essential services to the citizens. In such a climate, carefully crafted social enterprises – being bottom-up or top-down – can provide practical solutions regarding development, employment, inclusion and environmental change, and make a real difference to the wellbeing of the population and the countries themselves.
REFERENCES


### Annex 1: Programs Included in the Inventory

<table>
<thead>
<tr>
<th>Program Name</th>
<th>Grantor</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Alliance for Social Entrepreneurship (USAID)</td>
<td></td>
</tr>
<tr>
<td>Social Entrepreneurial Accelerator at Duke (SEAD) - (USAID)</td>
<td></td>
</tr>
<tr>
<td>Priming the Pump Partnership (Echoing Green Global Fellows Program) - (USAID)</td>
<td></td>
</tr>
<tr>
<td>Development Innovation Venture (DVI) - (USAID)</td>
<td></td>
</tr>
<tr>
<td>Bangland (JICA)</td>
<td></td>
</tr>
<tr>
<td>One Village One Product (OVOP) in Malawi - (JICA)</td>
<td></td>
</tr>
<tr>
<td>Business Based Pro-Poor: Approach on Water and Sanitation for Better Sustainability (JICA)</td>
<td></td>
</tr>
<tr>
<td>Social Enterprises for Economic Development (SEED) - (DFID)</td>
<td></td>
</tr>
<tr>
<td>THE IMPACT PROGRAMME (DFID)</td>
<td></td>
</tr>
<tr>
<td>Business Innovation Facility (DFID)</td>
<td></td>
</tr>
<tr>
<td>SPRING: Assets to Adolescent Girls Initiative (DFID)</td>
<td></td>
</tr>
<tr>
<td>Vietnam Business: Challenge Fund (DFID)</td>
<td></td>
</tr>
<tr>
<td>Human Development Innovation Fund (HDIF) - (DFID)</td>
<td></td>
</tr>
<tr>
<td>Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises (SADC)</td>
<td></td>
</tr>
<tr>
<td>Public Private Development Partnership: Promoting Social Entrepreneurship in Latin America (SADC)</td>
<td></td>
</tr>
<tr>
<td>Global Innovation Fund (GIF) - (VARIOUS)</td>
<td></td>
</tr>
<tr>
<td>African Enterprise Challenge Fund (AECF) - (VARIOUS)</td>
<td></td>
</tr>
<tr>
<td>Community Led Infrastructure Finance Facility (CLIFF) - (VARIOUS)</td>
<td></td>
</tr>
<tr>
<td>The Energy and Environment Partnership (EEP) programme with Southern and East Africa (VARIOUS)</td>
<td></td>
</tr>
<tr>
<td>Regional Social Investment: Exchange Initiative (ADB)</td>
<td></td>
</tr>
<tr>
<td>Microfinance for the Poorest (ADB)</td>
<td></td>
</tr>
<tr>
<td>Developing Financial Cooperatives Project (ADB)</td>
<td></td>
</tr>
<tr>
<td>Impact Investment Exchange and Shujog (ADB)</td>
<td></td>
</tr>
<tr>
<td>India: Micro, Small, and Medium Enterprise Development Project (ADB)</td>
<td></td>
</tr>
<tr>
<td>Development Marketplace (DM) in India (WB)</td>
<td></td>
</tr>
<tr>
<td>Food Tech Solutions to Lower Malnutrition and Provide Rural Employment (WB)</td>
<td></td>
</tr>
<tr>
<td>Social Enterprise Development Program (SEDP)</td>
<td></td>
</tr>
<tr>
<td>Social Entrepreneurship Project in Morocco (WB)</td>
<td></td>
</tr>
<tr>
<td>Development Marketplace (DM) (WB and Various)</td>
<td></td>
</tr>
<tr>
<td>Social Entrepreneurship Program (IDB)</td>
<td></td>
</tr>
<tr>
<td>Market Based Solutions for the Base of the Pyramid (IDB)</td>
<td></td>
</tr>
<tr>
<td>Souk At-Tamia (AfDB and Various)</td>
<td></td>
</tr>
<tr>
<td>United Nations Social Impact Fund (UNSIF) - (UN)</td>
<td></td>
</tr>
<tr>
<td>World Corporate Sustainability Initiative's Network (UN Global Compact) - (UN)</td>
<td></td>
</tr>
<tr>
<td>Supporting the Reintegration of Prisoner, Probationer and Ex-prisoner Women into a Law-abiding Life (EU)</td>
<td></td>
</tr>
<tr>
<td>The Social Business Initiative (EU)</td>
<td></td>
</tr>
</tbody>
</table>