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SUSTAINABLE DEVELOPMENT:  
HOW SOCIAL ENTREPRENEURS MAKE IT HAPPEN

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## **SUSTAINABLE DEVELOPMENT: HOW SOCIAL ENTREPRENEURS MAKE IT HAPPEN**

### **Abstract**

This paper demonstrates that entrepreneurs who have created innovative organizations and service provision models are contributing to sustainable development. The processes, structures and outcomes of their initiatives are contrasted with more traditional efforts. World leaders have recently renewed the momentum for 'buying' sustainable development through massive allocation of development funds. The authors argue that such traditional approaches have repeatedly failed in the past and are unlikely to overcome the more fundamental hurdles to create development. Building on the findings of a three-year research project, the paper presents case studies which demonstrate how so-called 'social entrepreneurs' succeed in creating social and economic development in a poor country context. The process of discovery and creation from the ground up, in contrast to traditional design-driven development processes and strategies, is illustrated. The cases show how social entrepreneurs cater to various levels of needs: the basic needs of individuals, the institutional needs of communities, and the needs of future generations. The impact of social entrepreneurial activity on sustainable development measures such as the Millennium Development Goals is demonstrated. The findings suggest that social innovation may change the very structures and systems that recreate the circumstances for poverty and that development processes need to consider the link between social and economic development.

**Keywords:** social entrepreneurship, sustainable development

## **SUSTAINABLE DEVELOPMENT: HOW SOCIAL ENTREPRENEURS MAKE IT HAPPEN\***

### **Introduction**

*The massive scale on which social problems are conceived precludes innovative action because bounded rationality is exceeded and dysfunctional levels of arousal are induced (Weick 1984: 40).*

Five years into the new millennium, we still cannot escape being confronted with social, environmental, political and economic problems on a scale that seems overwhelming in the sense of Weick's statement. The emotional drama caused by pictures of war, terrorism, natural catastrophes that caught their victims unprepared, the hungry and the diseased – pictures that refuse to disappear from our daily newspapers and TV screens – may indeed promote resignation, or a feeling of hopelessness and powerlessness. At the same time, important decisions need to be made about how to address socioeconomic challenges at a global level. This includes issues such as global warming, elimination of poverty, and allocation of funds to education, economic development and technological innovation. The aim is to balance economic growth and social development for all with the ability of the natural environment to sustain human life on this planet. To achieve this, international organizations are striving to define frameworks that enable local actions to result in a form of global sustainable development (SD). Corporations are expected to identify and develop future growth markets and to allocate resources to the creation of new business models that will serve the needs of billions of low-income customers. Citizens are asked to support national policies that increase the spending of tax money on development efforts and, at the same time, reduce public debts to lower the constraints on future generations.

Unfortunately, the current level of uncertainty about the future and about political, economic and ecological development does not facilitate decision making by public institutions, businesses or private individuals. This is exacerbated by the failure of decades of effort to define what sustainable development might mean and how to achieve it. Acting without knowing all the answers may mean that we purposely shift our focus to those areas where possible solutions emerge. This paper introduces and examines such solutions and

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presents reasons for hope that the idea of more sustainable development and the global goal of eradicating poverty are not empty words or dreams. We propose that so-called ‘social entrepreneurs’ are transforming social dilemmas in developing countries into manageable problems, which they solve in innovative and entrepreneurial ways. These entrepreneurs therefore build hope and optimism from the ground up by focusing on what is achievable locally, rather than trying to implement global ‘best practices’, as development organizations have attempted to do for several decades. Through sensible experimentation and discovery, social entrepreneurs often grow their initiatives to unexpected scale and scope, and change our concept of what is possible along the way. Our analysis is based on the population of initiatives whose founders were recognized as outstanding social entrepreneurs by the Schwab Foundation, established by Klaus Schwab, executive director of the World Economic Forum. We have produced in-depth case studies, using interviews and field-based research, on a number of such initiatives.

We start by describing Sekem, an organization in Egypt, to give the reader an idea of the type of scope and scale that social entrepreneurs create. This is followed by our main arguments: why there is a need for innovative and entrepreneurial solutions to complement or even replace some of the more traditional efforts to achieve sustainable development. In a next step, building on in-depth field research, we contextualize the notion of sustainable development, using a richer description of a social enterprise in Bangladesh, BRAC. The case highlights the processes as well as the ingredients we believe are necessary to achieve sustainable economic and social development in the poorest of countries. Additional cases are used to augment and further illustrate the frame that we use to evaluate the impact of social entrepreneurs on recognized sustainable development goals.

### **Sekem – A Case Study**

On December 15, 2003, Dr. Ibrahim Abouleish was the first social entrepreneur to receive the ‘Right Livelihood Award’, which had honored many great people and organizations since its inception in 1980. Widely known as the ‘Alternative Nobel Prize’, it was traditionally awarded in Stockholm the day before the Nobel Prize ceremony. From the 2003 press release:

Sekem (Egypt) shows how a modern business can combine profitability and engagement in world markets with a humane and spiritual approach to people and respect for the natural environment. The Jury sees in Sekem a business model for the 21st century in which commercial success is integrated with and promotes the social and cultural development of society through the ‘economics of love’. (Right Livelihood Award 2003)

The award honoured the fruits of the 26-year mission of Abouleish and his family to build hope for the poor masses of his home country, Egypt. Abouleish had visited Egypt in 1975, after many years abroad, to show his Austrian wife and their two children the beauty of his home country. However, the picture was grim. The many social problems, widespread poverty and lack of hope left him in shock about the sad fate of his countrymen. Abouleish decided to find solutions for many of these problems and to contribute to the holistic development of Egypt’s society. In 1977, Abouleish said goodbye to many friends, a secure and comfortable life, the senior position he held in a pharmaceutical company, and many memories from two decades studying and working in Austria. To give his vision structure, he started an initiative and named it Sekem – meaning ‘vitality from the sun’. He wanted to prove that development was not necessarily dependent on donations, abundant resources, strategic plans or the application of sophisticated economic models. Abouleish’s

determination, coupled with a healthy dose of stubbornness, led him to prove his point in a drastic way. He bought a piece of desert land in the poorest of surroundings as the starting point of his initiative. Using imagination and creativity, and with the support of people he had inspired with his vision, he built and acquired the resources that he needed in order to succeed – e.g. a water source, buildings, roads, electricity – and transformed the desert soil into fertile land with the help of organic dung from some cows that he had received as a donation from Germany. Through the 1980s and 1990s, Sekem developed into a modern business conglomerate, based on organic agriculture and bio-pharmaceuticals. It currently also runs a modern and well-equipped medical center, a kindergarten, primary and secondary schools, an academy and an orchestra; a university is due to be opened in late 2005. Furthermore, Sekem has established many partner organizations and a network of many thousands of farmers to enable a wide variety of commercial, social and cultural activities that embrace the poorest sectors of Egyptian society (Seelos and Mair 2004).

### **Sustainable Development and the Millennium Development Goals**

In 1987, Gro Harlem Brundtland put forward the global objective of achieving sustainable development (SD). She had been tasked by the United Nations General Assembly (1983) to *'make available a report on environment and the global problématique to the year 2000 and beyond, including proposed strategies for sustainable development'*. Brundtland decided that the main goal for the proposed global efforts was to find a path of balanced social and economic development compatible with a notion of social equity across space and time (United Nations General Assembly 1987). As a minimum, SD should offer people the basic level of subsistence necessary to live in dignity, and an overall level of consumption and use of resources that does not limit the options available to future generations. The report left open the question of how such balanced development is to be achieved:

No single blueprint of sustainability can be found, as economic and social systems and ecological conditions differ widely among countries. Each nation will have to work out its own concrete policy implications. Yet irrespective of these differences, sustainable development should be seen as a global objective.' (United Nations General Assembly 1987)

To instill new momentum in efforts to achieve SD, the UN Millennium Declaration was adopted in 2000 at the largest-ever gathering of international heads of state. It committed countries – rich and poor – to doing all they can to eradicate poverty, promote human dignity and equality, and achieve peace, democracy and environmental sustainability. To operationalise the notion of SD, the United Nations defined a set of Millennium Development Goals (MDGs), based on a resolution adopted by the General Assembly in September 2000. The MDGs comprise eight specific, quantifiable and monitorable goals (with 18 targets and 48 specific indicators) for development and poverty eradication by 2015 (United Nations General Assembly 2000). Goals included human rights, health, education, and environmental issues. However, by 2002 it had already become clear that in many countries the targets might not be reached. The participants at the International Conference on Financing for Development, held in Monterrey, noted with concern *'current estimates of dramatic shortfalls in resources required to achieve the internationally agreed development goals, including those contained in the United Nations Millennium Declaration'* (United Nations 2002). This concern was confirmed by other institutions that are monitoring progress against the MDGs (UNDP 2003).

## **A Need for Innovative Action**

Reducing income poverty and many of the associated symptoms of poverty has become the overarching goal of sustainable development efforts. Economic development is considered essential to reduce poverty and to meet the MDGs (World Bank 2004). However, three decades of experience with aid, foreign investment and policy reforms to kick-start economic growth have produced more stories of failure than of success (Stiglitz 2002). For many decades, economic theory assumed that the relative backwardness of poor countries would drive them to ‘catch-up’ with richer ones. Unfortunately, that did not happen for many of the poorest countries (Pritchett 1997). Aid and investment in diverse forms, ranging from general capital investment, adjustment loans and provision of fully equipped factories to direct efforts towards large-scale education or birth control, did not achieve much in many poor countries.

Equally, within such countries the poor often remain stuck in poverty traps, unable to catch up. Both between countries as well as within countries, developed and underdeveloped, the distribution of wealth and resources is highly unequal (Gottschalk and Smeeding 1997). Analysing positive and negative effects of economic development in Brazil, Richard Trotter (2004: 178-183) notes that ‘income inequality in Brazil remains one of the most extreme in the world’ and has resulted in dividing Brazil into a ‘first world and a third world country’, where an aggregate growth in income during the 1980s translated into the top 1% earning as much as the bottom 50% together.

### ***1. Why traditional models have failed***

Development is a complex process and cannot be ‘programmed’ through linear interventions (Easterly 2001). More than 20 years ago, Rondinelli (1982) pointed to the problem of false assumptions in development projects, noting that ‘delays, cost overruns, changes in objectives, and other deviations are usually attributed to inadequate design, analysis, and administrative control’. He emphasised the inherent unpredictability of many of the problems and the fact that rigid designs, rational analysis, and planning procedures may themselves be the source of many problems (Rondinelli 1982).

The realization that decades of experimentation and large-scale efforts of multilateral development organizations have not revealed any replicable designs that would enable sustainable economic development on a truly global scale reflects Brundtland’s (1987) concerns at the lack of a ‘blueprint for sustainability’. Furthermore, we clearly have not achieved the original goal of ‘social equity’ – neither for today’s society nor for tomorrow’s. While consumption levels for the poorest are insufficient to yield decent living standards, consumption levels of the wealthy may increase the overall risk of sudden changes in the planet’s life-support systems. This is reflected in concerns over our level of usage of natural resources and production of waste as a result of this process (Arrow et al. 2004). Because we have no agreed formulas or reference points that would guide decisions to balance today’s spending with saving for tomorrow, SD remains a learning process in dire need of innovative solutions and models for the creation of socioeconomic development.

### ***2. More aid alone is unlikely to do the trick***

The call for significantly more aid by leaders such as Tony Blair at the 2005 World Economic Forum in Davos highlights the fact that priority is still being given to continued attempts to ‘finance’ achievement of the MDGs. How more aid will lead to positive

outcomes for the poor remains unclear, however. During the last decade, as development projects grew more sophisticated and complex, many poor countries were already overwhelmed by the need to administer an increasing number of development projects. Thus, the main argument of many observers critical to traditional development efforts is that SD cannot be designed or achieved merely through supply and central administration of resources. What might be needed is a fresh approach of finding solutions and changing the very systems that produced the problems in the first place – an approach that does not emphasize aggregate or average positive outcomes but is driven by ownership of positive outcomes by individuals. This is at the heart of the phenomenon of social entrepreneurship – to change the lives of real people and to change the systems that create and sustain poverty.

### **The Phenomenon of Social Entrepreneurship**

An internet search in June 2005 (<http://www.google.com>) for the term ‘social entrepreneurship’ (SE) produced 158,000 hits. While SE as a practice seems to have taken off, academic research on the phenomenon is still scarce. Only in the last five to ten years, a number of business schools have established research centers for SE and started to offer MBA-level courses on the subject. However, research seems preoccupied still with terminology and defining the boundaries of the phenomenon. In his essay on ‘The Meaning of Social Entrepreneurship’, Dees (1998: 1) remarks:

Though the concept of ‘social entrepreneurship’ is gaining popularity, it means different things to different people. This can be confusing. Many associate social entrepreneurship exclusively with not-for-profit organizations starting for-profit or earned-income ventures. Others use it to describe anyone who starts a not-for-profit organization. Still others use it to refer to business owners who integrate social responsibility into their operations. What does ‘social entrepreneurship’ really mean? What does it take to be a social entrepreneur?

Neither of the terms ‘entrepreneurship’ or ‘social’ lends itself to clear definition. The development of social entrepreneurship as an area for research closely resembles the development of research on entrepreneurship itself. Williams (1999) argued that interest in entrepreneurship as a practice and a field of study was crucially stimulated by community leaders’ belief that entrepreneurship was a defining trend of the 21<sup>st</sup> century. Similarly, we observe that the rise of scholarly interest in social entrepreneurship goes hand in hand with an increasing interest in the phenomenon among elites. Over the last few years, a number of successful business entrepreneurs have dedicated substantial resources to supporting social entrepreneurship. For example, Jeff Skoll, co-founder of eBay, created a foundation and donated 4.4 million UK pounds to establish a research center for social entrepreneurship (<http://www.skollfoundation.org>). Jeff Bezos, founder of Amazon, recently announced a one million US dollar award for innovative approaches and breakthrough solutions to effectively improve communities or the world at large (<http://www.amazon.com>). Sekem is among the first organizations whose founders were recognized as ‘Outstanding Social Entrepreneurs’ by the Schwab Foundation. Klaus Schwab, founder and executive chairman of the World Economic Forum, endowed the Schwab Foundation for social entrepreneurship in 1998 (<http://www.schwabfound.org>). The Schwab Foundation uses a number of criteria for awarding membership to the network. The successful social enterprise must demonstrate innovation, reach and scope, replicability, sustainability, direct positive social impact; it must also be a role model and add mutual value (for both the Schwab network and the social entrepreneur). With these criteria, since its inception, the Schwab Foundation has selected an average of 10 ‘Outstanding Social Entrepreneurs’ each year. In 2004, 15 were added to the network and, in 2005, the Schwab network consisted of a total of 84 social

entrepreneurs, who managed 74 social enterprises. Typically, the Schwab Foundation elects members to its network when their enterprise is in its growth and expansion phase, giving them the opportunity to network with members of the World Economic Forum and one another, rather than offering cash grants.

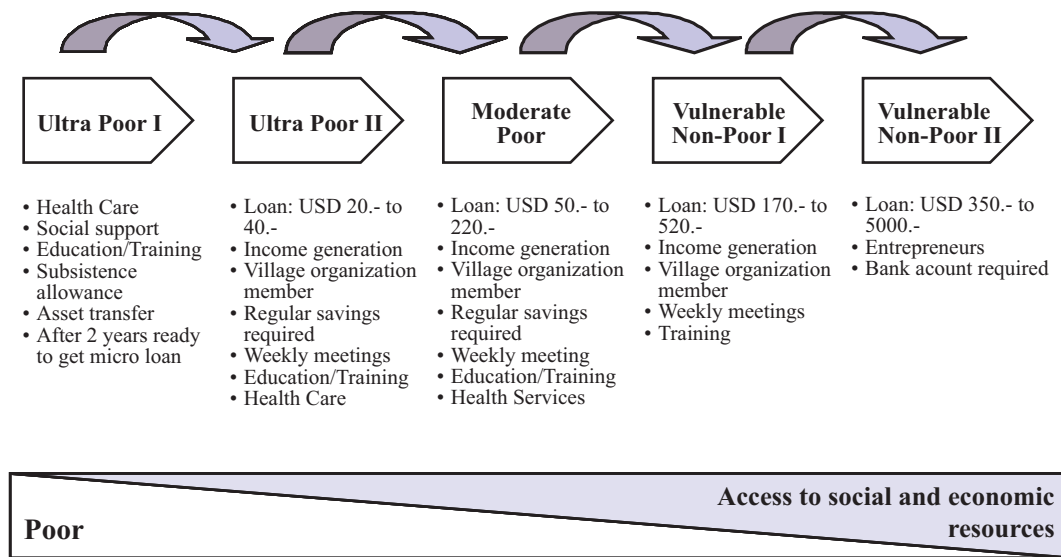
A fruitful approach to understand the phenomenon may be to study its importance for the achievement of desired social or economic outcomes (Seelos and Mair 2005a). To give meaning to the term ‘social entrepreneurship’ we chose to examine its contribution to the overall goal of achieving sustainable development. Particularly in the poorest countries, acting in a vacuum of effective government and market structures, we find that social entrepreneurs discover and create local opportunities and contribute to social, human and economic development. The dramatic need for development in these countries may explain how some small entrepreneurial initiatives were able to grow to impressive scale and expand their scope to cover a wide range of human, social, cultural and economic activities. BRAC in Bangladesh, an organization that has grown over 20 years and today is thought to be the world’s largest social venture, exemplifies this dynamic.

### ***1. BRAC – Social and Economic Development in Action***

After a bloody liberation war with Pakistan, Bangladesh became independent in 1971. Millions of refugees returned, mainly from India, only to find destruction, violence, and human misery. A Bangladeshi account executive working for Shell in London, Mr. Fazle Hasan Abed, decided to do something about the situation. In 1972, he founded the Bangladesh Rehabilitation Assistance Committee (BRAC) with a small grant from Oxfam, an international NGO, as a temporary relief project with a regional focus. However, by 1974 the name had been changed to Bangladesh Rural Advancement Committee, reflecting a new vision for dealing with a multitude of social problems on a national scale and the failure of government agencies to provide sufficient relief. Experiences in the early 1970s demonstrated that relief measures failed to impact the poor and that different solutions needed to be found through experimentation and learning. BRAC set up a research and monitoring division to support systematic prototyping, evaluation and learning in order to roll out programs that worked and limit the risk of failures. Innovation and learning was thus an integral part of BRAC’s culture and organizational set-up from the beginning. The operation switched from relief projects to building an organization for the holistic development of the poor. It combined skills transfer, improvement of health and educational status, provision of capital, and the opportunistic creation of income-generating activities. By charging small (sometimes symbolic) fees, the idea was to become economically self-sufficient as far as possible and to instill a feeling of ownership that would create positive incentives in the participants. Over the years BRAC became more sophisticated in segmenting the poor into several levels, each with unique needs. It has established customized programmes for all levels of poverty and abilities, which have enabled even the poorest to climb a development path that integrates them into social and economic life. See Figure 1 for an illustration of the BRAC approach to segmented programmes for different levels of poverty.



**Figure 1. Poverty levels decline with access to social and economic resources**

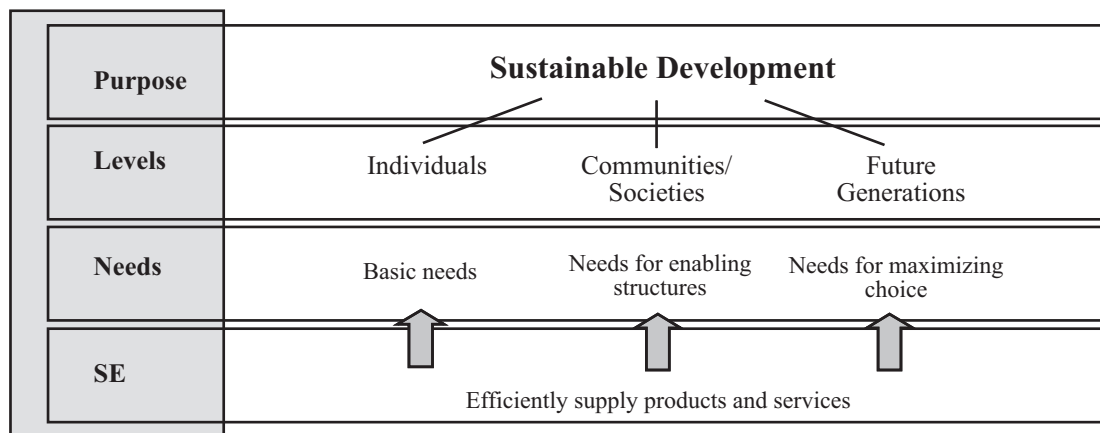


BRAC coupled its microcredit provision with an elaborate economic development program that ventured into various industries and helped people to find employment. It now also runs a commercial bank and a large dairy plant, shops selling the products of rural artists, and other commercial ventures. The profits from these ventures enable BRAC to provide basic health services and set up schools, adult education and training centers, and even a university. BRAC's ability to operate a large network of people in rural areas was recently acknowledged by the Bangladesh government, which increasingly seeks BRAC's support or even outsources to BRAC the implementation of large-scale health and education programmes (including a road safety programme). BRAC is now 80% self-financed despite its many social and health-related activities for which costs cannot be fully recovered. Recently, BRAC began to transfer its model to Afghanistan to build a holistic development initiative based on insights from Bangladesh but adapted to the local context of Afghanistan.

## ***2. Social Entrepreneurs and Sustainable Development***

BRAC's strategy and activities clearly exemplify many of the issues implicit in Brundtland's (1987) definition of SD as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. The examples of BRAC, Sekem and a social enterprise called WasteConcern (described below) allow us to operationalise the abstract notion of SD. Specifically, we propose to decompose the notion of SD into three distinct sets of activities aimed at: (1) satisfying basic human needs; (2) creating communities that establish norms, rights, and collaborative behaviour as a prerequisite for participating in social and economic development; and (3) translating the more abstract needs of future generations into action today (Figure 2).

**Figure 2. An operational model of the contribution of social entrepreneurship (SE) to sustainable development**



*a) Catering to basic human needs*

In her report, Brundtland (1987) explicitly asked that priority be given to satisfying the essential needs of the poor. Given women's central position in the household, BRAC concentrates its efforts on poor women. Women are key to health, nutrition, and family planning, and they are reliable savers and borrowers. Providing health services and educating women in how to prepare safe food for their families directly caters to basic human needs. To achieve this on a large scale, BRAC trained a cadre of village health volunteers to provide a comprehensive set of interventions to poor villagers, including preventive, curative, and rehabilitative health services. The many vegetable, fish, poultry and dairy farms that BRAC operates are important sources of food for the poor. BRAC also provides small loans to repair or build houses and provides the means to repay the loans as far as possible.

Sekem, the initiative briefly described in the introduction, opened a medical center in 1996 to provide health care for the neighboring community. The medical center soon developed a high demand for its services. As a Sekem manager explained, 'everyone in the area was sick'. When the medical staff visited the neighboring community, it turned out that almost everyone had some kind of parasite infection or allergy. Soon the medical center was providing treatment to around 30,000 people a year, with comprehensive basic health care services. The organic agriculture that Sekem introduced within its network of farmers protected thousands of people from the health damages of long-term pesticide exposure. Sekem also introduced a fair trade system that spreads risk along the value chain and provides a form of insurance to vulnerable farmers against becoming victims of famines caused by natural disasters.

*b) Changing norms and behavior to create opportunities*

A second crucial development aspect was emphasized by Brundtland (1987) when she asked that the poor be given the 'opportunity to satisfy their aspirations for a better life'. Health and social issues needed to be taken care of before people could be economically productive. Consequently, BRAC provided services in all the areas that prevent poor people from participating in economic life. Women were the most vulnerable group and had the least rights. Thus, changing the roles and perception of women in

Bangladesh's society was key to reducing inequality and promoting learning and development. Education about rights and the provision of legal services was important to enable women to participate in economic life. This also meant a constant fight against fundamental religious tendencies, but BRAC management believe that they have been successful in breaking many of the old norms that discriminated against people on the grounds of race, gender or social status. BRAC used effective group processes to engage the poor in a structure called the 'Village Organisation'. This was usually a closed group of women who relied on each other for support and also for monitoring progress. In weekly meetings with BRAC workers, the groups discussed ideas and problems and repaid their loans in small regular amounts. This instilled discipline, mutual support and individual as well as communal responsibility. The need to develop new norms for how people relate to each other, as well as to change individuals' outlook on life, was always an important objective for BRAC's schools and education programmes. On a recent field trip, the authors of this paper visited one of BRAC's schools. The 10 to 12-year-old children expressed their own expectations when asked what their future dream job would be. They clearly did not want to become rickshaw drivers or housewives but rather wanted to be teachers, doctors, or managers – expectations that also created a responsibility to provide these opportunities. It became clear to BRAC management very early on that the absence of markets and opportunities limited people's ability to use micro-loans productively and make use of their education. BRAC has built a finance industry for the poor in Bangladesh that ranges from microcredit for different levels of poverty or venture capital for micro-entrepreneurs to full-fledged commercial banks. Furthermore, it has ventured into six sectors to productively employ large numbers of poor people: poultry, fishery, livestock, sericulture, agriculture, and agro-forestry. The absence of efficient markets to provide reliable inputs and the lack of infrastructure made it necessary for BRAC to manage the whole value chain, from training and organizing the supply chain, to production, quality control, marketing, and sales. A negative side-effect was that BRAC's growth and speed of development has thus far left little space for collaborations with the private sector. Rare examples include a joint venture with Renata Limited, a local pharmaceutical company that was founded and later divested by Pfizer. BRAC-Renata expanded poultry breeding capacity to one of the largest in Bangladesh. However, the joint venture has been dissolved at the request of Renata because it felt that BRAC was too large and diversified to consider their joint venture of sufficient strategic importance. BRAC sold its stake at a significant profit to Renata.

BRAC today increasingly tries to connect the rural poor to existing markets in urban areas or international markets. Many other social entrepreneurs have succeeded in connecting the poor with markets. For example, Sekem pioneered organic agriculture in Egypt and sells its products in the local and international markets. A part of the profits of the Sekem Holding of companies provides financial support for its various non-economic activities.

### *c) Catering to the needs of future generations*

The third aspect emphasized by Brundtland (1987) was that satisfying the needs of current generations must be achieved '*without compromising the ability of future generations to meet their own needs*'. Future generations have a current – albeit abstract – need for us to act on their behalf and in their interest as well. We do not know the exact nature of future needs, but certainly, future generations have a need to make their own choices. The concept of sustainable development thus implies that we should act in ways that do not increase constraints and thus lower the choices available to future generations. Inheriting a set of serious environmental and social problems will not support this goal. The costs of environmental degradation as a side-effect, or even a result, of economic growth and modern lifestyles accrue over long time periods and are spread over many stakeholders.

The environment as a social asset is a shared common property; this characteristic of the environment does not maximize the incentives for individuals to best maintain it. In many poor countries, priorities understandably focus on current problems and the value of future benefits is heavily discounted. BRAC focuses on water and sanitation issues. Amongst other efforts of awareness building, it uses local entrepreneurs to build slab latrines – over 180,000 were installed in 2003 alone. In collaboration with the government and other NGOs, BRAC wants to achieve 100% national sanitation by 2010. But BRAC is also concerned about the increasing disappearance of local culture and handicrafts. It considers this an important public asset that should be maintained for future generations. Connecting artists with the markets in the capital through BRAC-managed stores led to a revival of local arts because of the possibility of generating an income from this activity. It now involves over 35,000 artists. In Egypt, Sekem, as part of its mission to heal the land, targeted an important environmental problem. Cotton was Egypt's most important cash crop. Unfortunately, it is also a magnet for countless insidious pests and has been known worldwide as one of the most pesticide-intensive crops. Sekem developed a biodynamic concept for organic cotton cultivation based on the use of pheromones to control cotton insects. The results were so convincing that the Egyptian authorities officially promoted the methodology and implemented strict legislation that limited the use of pesticides. Over the following years, the total use of pesticides in Egyptian cotton fields was reduced to less than 10% of the previous amount on nearly the same cultivation area, thus saving about 30,000 tons of pesticides per year. By 1999, these methods had been applied to nearly 80% of the entire Egyptian cotton-growing areas.

Waste and pollution are common side-effects of early industrialization and urbanization that create costs for future generations. Dhaka, the capital of Bangladesh, produces more than 3000 tons of solid waste daily. For the government, this created an insurmountable problem – it had to spend almost 20% of its total budget to transport less than half of the waste to a limited number of available open disposal sites (Enayetullah and Sinha 2005). Women and children from city slums put themselves at great risk searching the disposal sites for items that could be sold, such as broken glass, metal, cloth or containers. The sites contain hazardous waste, are breeding grounds for disease vectors, pollute the ground water, constitute fire hazards and produce odor and significant amounts of methane – one of the greenhouse gases. Two entrepreneurs, Iftexhar Enayetullah and Maqsood Sinha, started an initiative called WasteConcern to address this problem in an entrepreneurial manner. They recognized that the waste contained up to 80% organic matter and that this could be composted to produce organic fertilizer. WasteConcern also identified farmers as potential users of the compost. Farmland in Bangladesh was threatened by overuse of chemical fertilizers, which lowered organic matter in the soil to unsustainable levels. WasteConcern thus set up a marketing channel for their organic fertilizer by partnering with a local agrochemicals company. The demand from farmers for the product exceeded all expectations and the agrochemicals company then signed a contract stating that they would buy all the compost WasteConcern could possibly produce. It mobilized communities and orchestrated a simple but efficient waste collection mechanism that provided new jobs for several thousand poor people from city slums. The project is financially viable and is ready to be scaled up significantly. It also relieves the government of a huge social problem and saves tax money for other purposes.

### ***3. Social Entrepreneurs are making an impact***

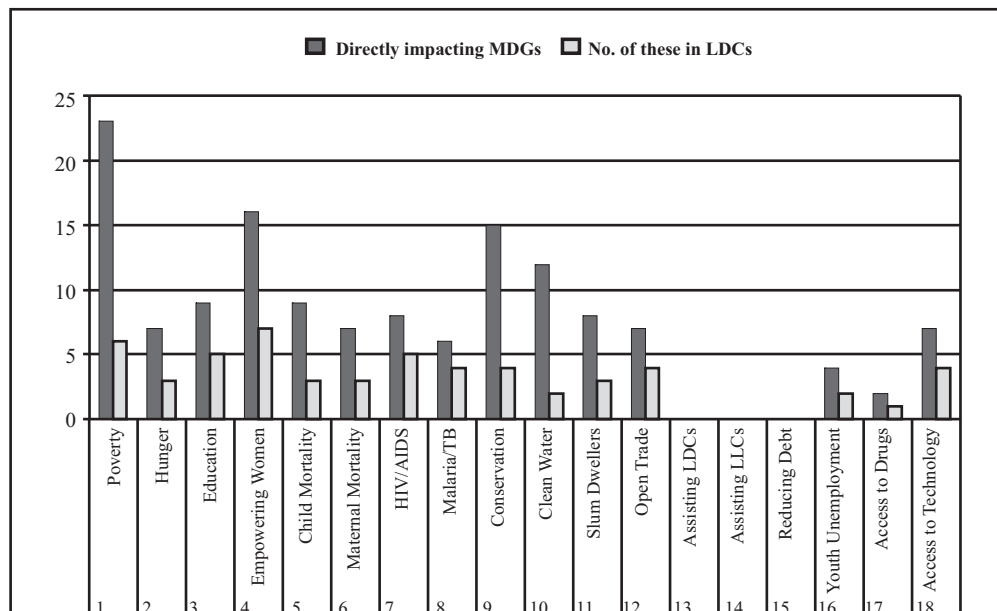
The scale of the impact on social and economic development that many social entrepreneurs are having is significant. BRAC has distributed more than two billion USD in micro-loans, with a pay-back ratio of more than 97%. It has built over 40,000 mainly one-room schools and operates a network of 70 million people in 65,000 villages all over

Bangladesh. Between 1980 and 1990, about 2000 BRAC health workers trained 13 million women in the use of oral rehydration therapy, a cost-effective means of treating most instances of diarrhea (<http://www.brac.net>). This success story hugely improved the standing of BRAC vis-à-vis the government of Bangladesh. The recent drop in infant and child mortality is attributed largely to this effort. Its economic development activities have generated more than five million jobs and in 2003 alone it provided the government with tax revenue of 1.3 million USD (<http://www.brac.net>). Another example of social entrepreneurship, from Brazil, is the Committee for the Democratization of Information Technology (CDI). Within ten years of its founding, CDI has built a large network of schools that teach computer skills to the poorest children in the favelas of Rio, other disadvantaged areas in Brazil and many other countries in Latin America. In 2004, CDI had more than 500,000 alumni (<http://www.cdi.org.br/>), many of whom found simple jobs for the first time after attending CDI schools. In Kenya, an initiative called ApproTec was the idea of two entrepreneurs who started building simple technology using local resources that enabled poor people to start businesses. The income generated by these businesses accounted for 0.5% of Kenya's GDP in 2004 and ApproTec created over 35,000 small businesses (Seelos and Mair 2005b).

#### 4. Social entrepreneurs contribute to meeting Millennium Development Goals

Using a more formal framework for SD, we mapped all the enterprises in the Schwab Foundation network according to their contribution to the MDGs. Figure 3 shows the results of our impact analysis of the models, products and services of the current population of 74 social enterprises.

**Figure 3. Number of Schwab Foundation SEs that positively impact the 18 MDG targets, and how many of these are operating in the Least Developed Countries (LDCs)**



We concluded that 48 initiatives contribute directly to targets defined by the MDGs (Seelos et al. 2005). From the information available, the remaining initiatives may not directly affect specific MDGs, yet many of them fulfill other UN goals which were, in fact, also outlined in the Millennium Declaration of 2000, such as human rights issues, landmine

clearance and others. Thus, a majority of the Schwab Foundation social entrepreneurs have a direct and positive impact on achieving the MDGs. As Figure 1 indicates, these social entrepreneurs have shown that it is possible to operate in some of the least developed countries (LDCs) as defined by the UN, including Afghanistan, Angola, Benin, Chad, Congo, Ethiopia, Gambia, Lesotho, Malawi, Mozambique, Niger, Tanzania, Bangladesh, Cambodia, Laos and Nepal. Interestingly, we have no indication that any of the social entrepreneurs actually made a conscious attempt to directly contribute to the MDGs, especially as most of them were founded long before the MDGs were defined. Yet many of the models that social entrepreneurs build through experimentation and trial and error are in line with the targets set by the development community. We therefore suggest that by examining the models of successful social entrepreneurs, we will be able to generate a better understanding of how to address the MDGs and achieve SD than by focusing only on the more traditional development projects undertaken by large multilateral institutions, local governments and non-governmental organisations.

## Conclusion

Sustainable development goes beyond merely trying to achieve the Millennium Development Goals. It is about creating and discovering the many conditions necessary for the achievement of goals as an outcome. The social entrepreneurs we describe in this paper are inspiring role models when it comes to devising innovative organizational models to cater to the needs of the poor. The best models are profitable and continually expand in scale and scope. BRAC shows how economic development can be made possible by first investing in human needs in order to free people from a mere fight for survival. At the same time, BRAC invested in changing norms and rules in order to create communities that were consistent with productive economic activities. Several researchers have shown that social capabilities, in the form of individual education and skill sets as well as collective norms of cooperation and trust, are important prerequisites for economic development (Temple and Johnson 1998, Abramovitz 1995, Areendam and Putterman 2004). After many years of investment in building these social prerequisites, BRAC now focuses more on economic development and builds commercial enterprises as an important driver to move the poor of Bangladesh out of poverty on a larger scale. So far this has happened with little involvement by the private sector. However, the case of Telenor's joint venture with the Grameen Bank highlights how companies can leverage these dynamics to produce significant shareholder value and create large-scale positive social outcomes as well. Telenor, the incumbent telecommunications company in Norway, invested in a joint venture with the Grameen Bank to operate a mobile phone license in Bangladesh in 1997. It now has two organizational structures with different but mutually reinforcing strategic objectives: one maximizes shareholder value by providing mobile services to the growing middle class; the other sells mobile phones to poor women in villages, who create their own small businesses selling phone calls to other villagers. The for-profit side now has a 60% market share in a market of 150 million people. It is hugely profitable and growing rapidly, with a long way to go (3% penetration so far). The non-profit side of the joint structure has created more than 100,000 jobs for poor women and already generates revenues equal to 10% of the total revenues of the for-profit side (<http://www.grameen-info.org>).

Much of what social entrepreneurs such as BRAC or Sekem do focuses on changing the context that influences how people perceive the world. As a BRAC manager said: 'As soon as poor people understand that poverty is not a normal state but a symptom of things missing, their perception of life changes. All of a sudden there is hope of a different future' (BRAC, 2005).

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