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SOCIAL ENTREPRENEURS DIRECTLY CONTRIBUTE  
TO GLOBAL DEVELOPMENT GOALS

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## **SOCIAL ENTREPRENEURS CONTRIBUTE DIRECTLY TO GLOBAL DEVELOPMENT GOALS**

### **Abstract**

This study evaluates whether social entrepreneurs have found ways to contribute directly to achieving established sustainable development goals and whether they are able to operate in the least developed countries. Development programs, designed and driven by multinational organizations and governments, in particular those of the OECD countries, have been unable to change the fates of more than two billion people who continue to live in severe poverty. The need to find novel solutions to a multitude of human and social problems is urgent. Social entrepreneurs have found new ways to provide services that cater to basic human needs which remain unsatisfied by governments and markets. We show that their initiatives help to achieve Millennium Development Goals even in the least developed countries. Therefore, we see them as models that could inspire or complement efforts by multilateral development organizations. Furthermore, because social entrepreneurs create both human and social capital and innovative service delivery models, they provide fertile ground for corporations to enter developing markets and contribute to economic development.

**Keywords:** sustainable development, social entrepreneurship, economic development.

## **SOCIAL ENTREPRENEURS CONTRIBUTE DIRECTLY TO GLOBAL DEVELOPMENT GOALS\***

### **Introduction**

A stable customer base increases the value of the firm to its owners. Accordingly, In 1987, Gro Harlem Brundtland put forward the global objective of achieving Sustainable Development (SD)<sup>1</sup>. She was tasked by the United Nations General Assembly in 1983 to “*make available a report on environment and the global problematique to the year 2000 and beyond, including proposed strategies for sustainable development*”. In her report, she explicitly assigned priority to satisfying the essential needs of the poor, such as those for “*food, clothing, shelter, jobs*”, but also to providing them with the “*opportunity to satisfy their aspirations for a better life*”. This should be achieved, however, without “*compromising the ability of future generations to meet their own needs*”. Brundtland thus identified the main goal for global efforts to trace a path of balanced social and economic development which was also compatible with a notion of social equity across the dimensions of space and time. Her report left open the question of how such balanced development could 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*”.

To instill new momentum in the efforts to achieve SD, the UN Millennium Declaration was adopted in September 2000 at the largest-ever gathering of 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<sup>2</sup>. In order to operationalize the notion of SD, the United Nations defined a set of Millennium Development Goals (MDGs). These MDGs comprise eight specific, quantifiable and monitorable goals (with 18 targets and 48 specific indicators) for development and poverty eradication by 2015. Goals include health, education, gender equality and environmental issues. While a multitude of projects was immediately launched among aid agencies, governments and multilateral institutions to address these pressing problems, the UNDP Human Development Report 2003 stated: “*[...] despite these welcome commitments in principle to reducing poverty and advancing other areas of human development, in practice—as this Report makes very clear—the world is already falling short. [...] More than 50 nations grew poorer over the past decade. Many are seeing life expectancy plummet due to HIV/AIDS. Some of the worst performers—often torn by conflict—are seeing school enrolments shrink and access to basic health care fall. And nearly everywhere the environment is deteriorating.*”

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\* The authors are grateful for the support of the European Academy of Business in Society (EABIS).

<sup>1</sup> United Nations General Assembly (1987) Development and International Economic Co-operation: Environment. Report of the World Commission on Environment and Development. A/42/427, 4 August 1987.

<sup>2</sup> United Nations Millennium Declaration. 2000. General Assembly Resolution A/55/L.2.

The World Bank's World Development Report 2004<sup>3</sup> clearly states that economic growth is essential to achieving the Millennium Development Goals, and that "*The projected growth in per capita GDP will by itself enable five of the world's six developing regions to reach the goal for reducing income poverty.*" However, the report also maintains that many health and education services are failing poor people. The main reason for this failure appears to be the fact that public spending simply does not reach the poor, or if it does reach them, service provision is inefficient and of inadequate quality.

We have recently argued<sup>4</sup> that neither development organizations nor multinational companies may be in the best position to discover the innovative solutions necessary to achieve SD on a global scale. One of the main reasons is that development problems generally consist of large sets of interconnected problems that are context specific: usually, they cannot be solved through direct intervention because the chain of causality is unclear. Furthermore, helping poor people directly through donations of food or medicine, or through services such as education and medical care, does not change the system that produced poverty in the first place. The least accessible group in society, the so-called "ultra poor", have extremely high reproduction rates and so create new poverty faster than direct development efforts can help them to escape the poverty trap in which many of them are caught. Indeed, population growth projections until 2045 indicate that, of the 2.2 billion additional people, 1.5 billion will come from the lowest income group and only 0.026 billion from the high income group<sup>5</sup>.

Context dependency often prevents a "best practice" approach to these problems, which means that the scope for replication of "solutions" will be limited. We argue that social entrepreneurs are able to discover unique solutions in a local context and thereby contribute more effectively to social, human and economic development. Social entrepreneurs invent service provision models that cater to the very basic needs of individuals; they also change and institutionalize behavior, norms and rules that enable communities and societies to allocate resources more fairly and formalize individual rights. While their "solutions" and models may not lend themselves to replication because they are context dependent, the process of finding solutions – i.e. the entrepreneurial process of discovery – may be replicable in diverse settings and on a global scale. To better understand the extent to which social entrepreneurs contribute to sustainable development, we have addressed the following questions:

1. Do social entrepreneurs contribute directly to recognized SD goals?
2. Are social entrepreneurs able to act on a global scale and, most importantly, in the poorest countries?

## **Methodology**

### ***Study population***

The term "social entrepreneurship" still lacks a clear definition and covers a wide range of initiatives in both developing and developed countries<sup>6</sup>. It is consistent with a diverse set of financial models of income generation – both internal and external to

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<sup>3</sup> The World Bank (2003) World Development Report 2004. Making services work for poor people. Washington: Oxford University Press.

<sup>4</sup> Seelos, Ch. & Mair, J. (2004) Social entrepreneurship: The contribution of individual entrepreneurs to sustainable development. IESE Business School. Working Paper 553; Seelos, Ch. & Mair, J. (2005) Social Entrepreneurship: Creating New Business Models to Serve the Poor. *Business Horizons* 48/3, 247-252.

<sup>5</sup> World Bank Statistics, 2005

<sup>6</sup> See note 5.

operations – and a number of different structural features – ranging from non-profit, non-governmental organisations to commercial structures, and even a mix of both under a single brand umbrella. We chose the “Outstanding Social Entrepreneurs” in the Schwab Foundation’s list as the study population, on account of the consistency of definition and the global reach of the list<sup>7</sup>. For our analysis of these initiatives we have drawn on various sources of data: interviews with founders, existing teaching cases (several prepared by the authors), cases prepared by the Schwab Foundation, and other public resources such as newspaper articles, features, etc.

### *Measures of sustainable development*

The method used for assessing a social enterprise’s contribution to global, sustainable economic development is to ask whether the enterprise directly impacts the eight Millennium Development Goals (MDGs) set by the United Nations as a standard for achieving a more equitable level of global development. We also map the product and service development models of the Schwab Foundation social entrepreneurs to the 18 individual targets specified by the main MDGs.

### *Definitions of “poorest countries”*

In particular, the population of social entrepreneurs is examined to see if any of them are impacting the MDGs in the Least Developed Countries (LDCs) as defined by the UN. We also consider social entrepreneurs who are impacting the MDGs in countries with a very low Human Development Index (HDI) as defined by the United Nations Development Program (UNDP).

## **The Millennium Development Goals**

In September 2000, 192 member states of the United Nations made a commitment to a number of specific goals to stimulate economic and human development in countries with very low incomes and extremely basic living standards. High on the agenda were the eradication of poverty and hunger, education for all, gender equality and health. The goals were derived from the United Nations Millennium Declaration, which addressed the burning issue of inequality among nations in an increasingly interconnected and interdependent world. The resolution of the United Nations General Assembly stated, “we have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level”.<sup>8</sup> It continued:

“We believe that the central challenge we face today is to ensure that globalization becomes a positive force for all the world’s people. For while globalization offers great opportunities, at present its benefits are unevenly shared, while its costs are unevenly distributed. We recognize that developing countries and countries with economies in transition face special difficulties in responding to this central challenge. Thus, only through broad and sustained efforts to create a shared future, based on our common humanity in all its diversity, can globalization be made fully inclusive and equitable.”<sup>9</sup>

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<sup>7</sup> [www.schwabfound.org](http://www.schwabfound.org)

<sup>8</sup> See note 3.

<sup>9</sup> Ibid

To that end, a set of eight Millennium Development Goals was created, and 18 specific targets were set. A set of indicators was established for measuring the world's progress towards achieving each of those goals by 2015. The goals and targets are now fully part of the UNDP and World Bank's benchmarking on development issues. Table 1 lists the MDGs and their associated targets.

**Table 1**

<b>Goals</b>	<b>Targets</b>
<b>1. Eradicate extreme poverty and hunger</b>	1. Between 1990 and 2015, cut by half the proportion of people living on less than one dollar per day
	2. Between 1991 and 2015, cut by half the proportion of people suffering from hunger
<b>2. Achieve universal primary education</b>	3. By 2015, ensure that children everywhere, boys and girls alike, are able to complete primary schooling
<b>3. Promote gender equality and empower women</b>	4. Eliminate gender inequality in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015
<b>4. Reduce child mortality</b>	5. Between 1990 and 2015, reduce by two-thirds the under-five mortality rate
<b>5. Improve maternal health</b>	6. Between 1990 and 2015, reduce by three-quarters the maternal mortality rate
<b>6. Combat HIV/AIDS, malaria and other diseases</b>	7. By 2015, have halted and begun to reverse the spread of HIV/AIDS
	8. By 2015, have halted and begun to reverse the incidence of malaria and other diseases
<b>7. Ensure environmental sustainability</b>	9. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
	10. By 2015, cut by half the proportion of people without sustainable access to safe drinking water and basic sanitation
	11. By 2020, have achieved a significant improvement in the lives of at least 100 million slum dwellers
<b>8. Develop a global partnership for development</b>	12. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system
	13. Address the special needs of the least developed countries
	14. Address the special needs of landlocked developing countries and small island developing states
	15. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
	16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
	17. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
	18. In cooperation with the private sector, make available the benefits of new technologies, especially information & communication technologies

## The Schwab Foundation Social Entrepreneurs<sup>10</sup>

The Schwab Foundation defines a social entrepreneur as someone who:

- Identifies and applies **practical** solutions to social problems by combining innovation, resourcefulness and opportunity.
- **Innovates** by finding a new product, a new service, or a new approach to a social problem.
- Focuses first and foremost on **social value creation** and, in that spirit, is willing to **share openly** the innovations and insights of the initiative, with a view to its wider replication.
- **Doesn't wait to secure the resources** before undertaking the catalytic innovation.
- Is **fully accountable** to the constituencies s/he serves
- Resists being trapped by the **constraints of ideology or discipline**
- Continuously **refines and adapts** approaches in response to feedback
- Has a vision, but also a **well thought-out roadmap** as to how to attain the goal

Typically, the Schwab Foundation elects members to its network of “Outstanding Social Entrepreneurs” when their enterprise is in its growth and expansion phase, giving them the opportunity to network with members of the World Economic Forum and with one another, rather than offering cash grants. The selection process is lengthy and thorough, and the Foundation has a number of criteria for granting membership of the network. The successful social enterprise must demonstrate the following:

1. Innovation
2. Reach and scope
3. Replicability
4. Sustainability
5. Direct positive social impact
6. Being a role model
7. Mutual value added (for both the Schwab network and the social entrepreneur)

Given these criteria, since its inception in 1998, the Schwab Foundation has selected an average of 10 “Outstanding Social Entrepreneurs” each year. In 2004, 15 were added to the network.

In 2005, the Schwab network consisted of a total of 84 social entrepreneurs, who managed 74 social enterprises (sometimes a partnership of two entrepreneurs is selected). For the purposes of this study, the total population of 74 enterprises was considered. Table 2 contains a list of the Schwab-selected social enterprises considered in this study.

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<sup>10</sup> See note 8.

Table 2

1.	<b>ABCDEspañol</b>
2.	<b>Akatu Institute for Conscious Consumption</b>
3.	<b>ANEC</b>
4.	<b>APABEB – Associação dos Pequenos Agricultores do Município de Valente</b>
5.	<b>ApproTEC</b>
6.	<b>Aravind Eye Hospital</b>
7.	<i>Arcandina</i>
8.	<b>ASAFE – Association pour le Soutien et L’Appui a la Femme Entrepreneur</b>
9.	<b>Associação Saúde Criança Renascer</b>
10.	<b>Barefoot College</b>
11.	Barka
12.	<b>BASIX</b>
13.	Benetech
14.	Bily kruh bezpeci
15.	Bosnian Handicrafts
16.	<b>BRAC</b>
17.	CAMBIA – Centre for the Application of Molecular Biology to International Agriculture
18.	<b>CDI – Committee for the Democratization of Information Technology</b>
19.	Centre for Citizenship Education
20.	<b>Centre for Mass Education in Science</b>
21.	<i>Child Helpline International</i>
22.	City Year
23.	<b>Ciudad Saludable</b>
24.	<b>Comprehensive Rural Health Project</b>
25.	<b>Development Alternatives</b>
26.	<b>Duck Revolution</b>
27.	Easy Being Green P/L
28.	<b>Ecoclubes</b>
29.	Endeavor Global
30.	<b>Escuela Nueva</b>
31.	<b>Fair Trade Group Nepal</b>
32.	<i>First Nations Development Institute</i>
33.	<b>Freeplay Energy Group and Foundation</b>
34.	<b>Friends of Nature</b>
35.	<b>Fundação Pró-Cerrado</b>
36.	<b>Fundacion Paraguaya de Cooperación y Desarrollo</b>
37.	<b>Gente Nueva</b>
38.	<b>Gram Vikas</b>
39.	<b>Grupo Ecológico Sierra Gorda</b>
40.	Habitat for Humanity
41.	<b>Hagar</b>
42.	<b>Honey Care</b>
43.	<b>IDEAAS</b>
44.	Independence Care System (ICS)
45.	International Network of Street Papers (INSP)
46.	<b>IOWH – Institute for OneWorld Health</b>
47.	<b>Irupana</b>
48.	Ithuteng Trust

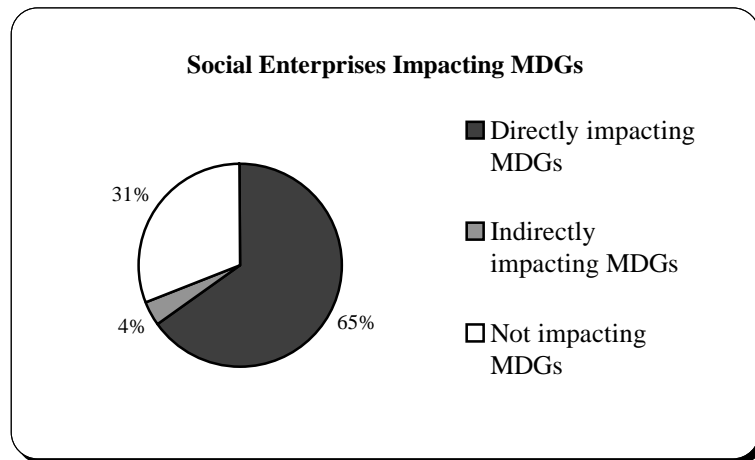


49.	<b>Kashf Foundation</b>
50.	Nepal Press Institute
51.	Novica
52.	<b>OACA – Oficina de Asesoría y Consultoría Ambiental</b>
53.	Parceiros Voluntarios
54.	People Tree Limited
55.	<b>Phulki</b>
56.	<b>Population and Community Development Association</b>
57.	<b>Project Impact</b>
58.	<b>RDI – Rural Development Institute</b>
59.	RENTAS
60.	<b>Riders for Health</b>
61.	Rubicon Programs
62.	<b>Rural Women</b>
63.	<b>SAIBAN</b>
64.	<b>SEKEM</b>
65.	<b>SEWA – Self Employed Women’s Association</b>
66.	<b>Soul City</b>
67.	<b>SPARC – Society for the Promotion of Area Resource Centres</b>
68.	Teach for America
69.	The Way Home
70.	<b>Transfair USA</b>
71.	<b>Waste Concern</b>
72.	Witness
73.	<b>Women’s Health and Economic Development Association</b>
74.	Working Today

### **Social entrepreneurs contribute to Millennium Development Goals**

Having analyzed the models, products and services of the total population of 74 social enterprises listed in Table 2, we consider that 48 contribute directly to targets defined by the MDGs (names printed in bold), and that a further three contribute indirectly or have an impact over time (names printed in bold italics). From the information available, it is not clear that the remaining 23 affect the MDGs, although 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 so on. Figure 1 shows the results of this analysis. Sixty-five percent of initiatives have a direct impact on MDGs, 4% impact the MDGs indirectly, and 31% may not have a measurable impact.

Figure 1

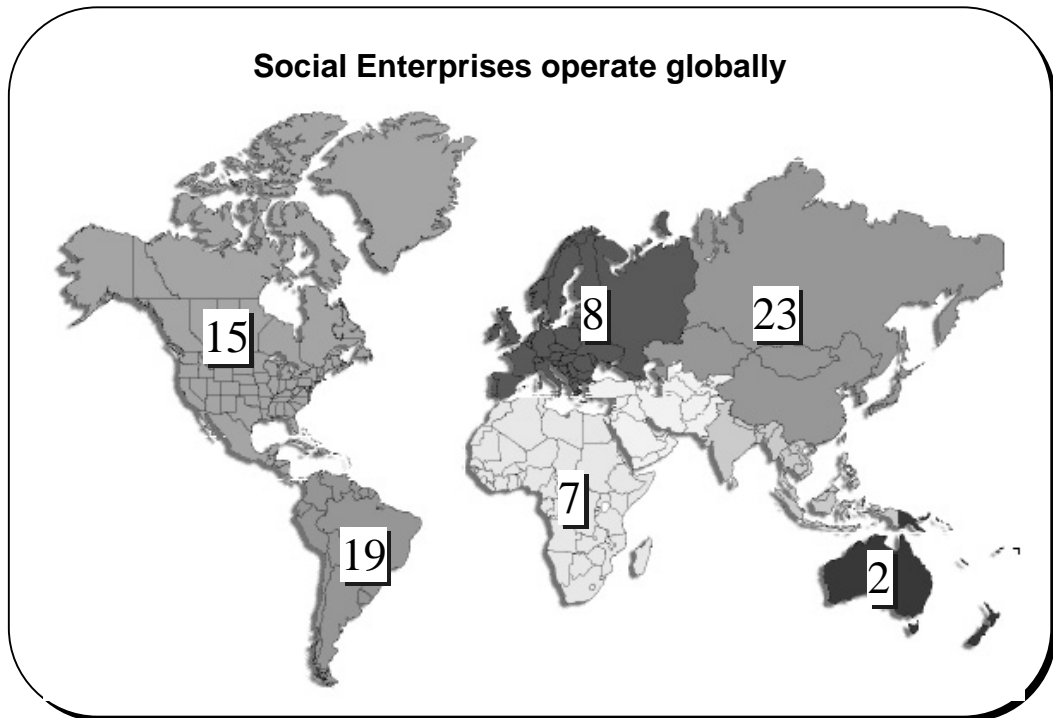


Of the social enterprises directly impacting MDGs, the majority are working to reduce poverty, empower women, conserve natural resources or provide access to clean water. Other targets which social entrepreneurs are impacting to some degree are the provision of primary education, reducing child and maternal mortality, and combating the spread of HIV/AIDS and other diseases. The targets associated with goals 1-7 have been set by the United Nations to be achieved mainly by developing countries themselves, often with the help of aid supplied by rich OECD nations. MDG no. 8, on the other hand, outlines targets for the creation of a global partnership for development, which is to be achieved by the OECD countries working with various multilateral agencies, NGOs and private companies. It is interesting to note that social entrepreneurs are also impacting four out of these seven targets: helping to promote open trade, reducing youth unemployment, providing access to drugs and providing access to technology. The only targets upon which social entrepreneurs are not having any impact are macro-level targets, where results can really only be achieved by governments' making unilateral agreements and contributing aid. They are: assisting the Least Developed Countries (LDCs) to achieve economic growth, assisting the Land-Locked and Small Island Developing countries (LLDCs & SIDCs) to achieve economic growth, and reducing the debt burden of developing countries overall.

### **Social entrepreneurs have a global reach**

One of the research questions addressed in this study is whether social entrepreneurs have been able to operate globally, including in the poorest countries. As shown in Figure 2, at the time of this study, of the 74 initiatives, 15 were operating in North America, 19 in Latin America, 8 in Europe, 7 in Africa, 23 in Asia and 2 in Australia. However, it should be noted that many initiatives are operating in several countries. Figure 2 only shows the headquarter locations and thus under-represents the collective global scope of the initiatives.

Figure 2



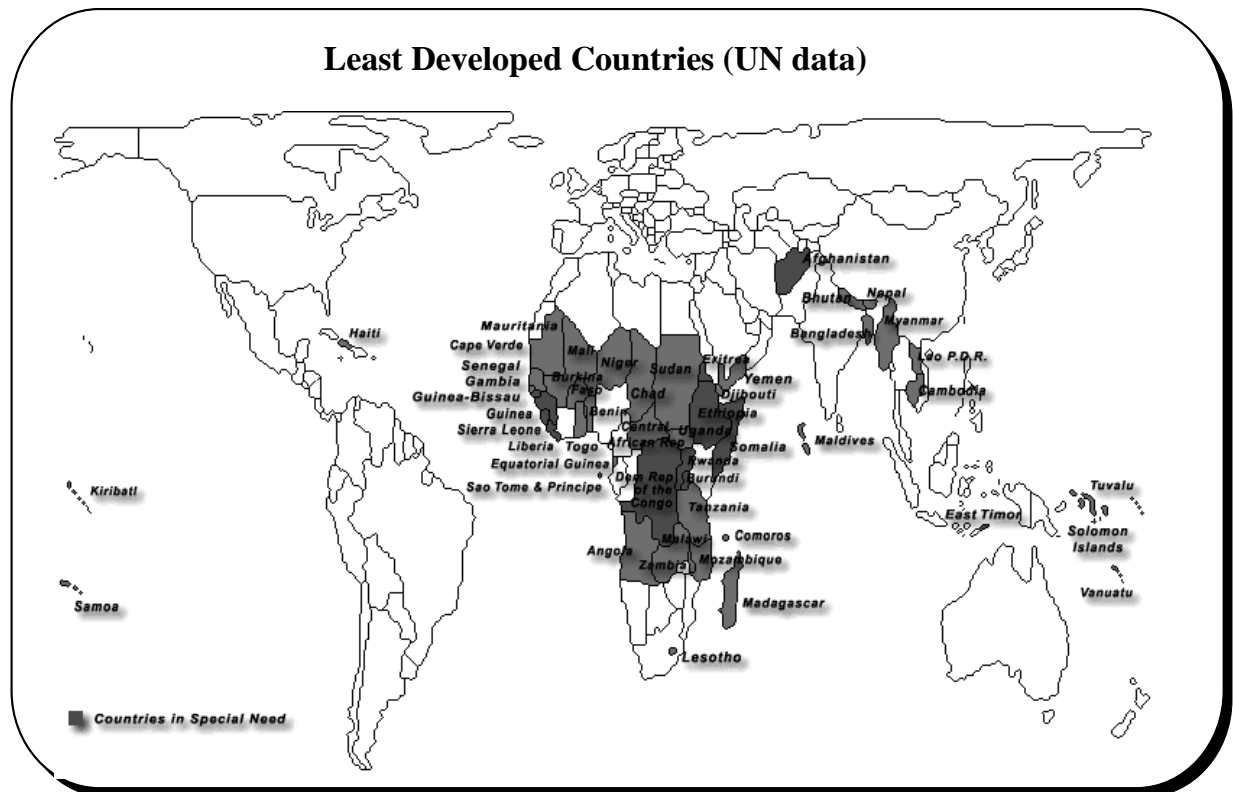
Since the list of Schwab entrepreneurs has a success bias, in the sense that all the initiatives have survived the initial start-up phase and have achieved proven impact and scale, the entrepreneurs' ability to create social value on a global scale, the wide variety of their structural organization and the value creation models they have discovered support the proposition that they emphasize local discovery rather than replication of best practices. Attempts to "clone" the Grameen Bank model in India, Nepal, and Vietnam in the '90s have proven much more difficult than anticipated<sup>11</sup>. There are, however, signs that some basic principles of successful models can be employed in different contexts. For example, the Kashf Foundation, an initiative in Pakistan, was modeled on the Grameen Bank in Bangladesh. However, local insights and experimentation by the founder, Roshaneh Zafar, were needed in order to "tailor" the model to the particular culture, problem sets and resources of Pakistan.

### **The World's Least Developed Countries and the Human Development Index**

Part of the aim of this study is to assess whether social entrepreneurial initiatives can be demonstrated to be achieving their aims in the world's Least Developed Countries (LDCs), where the biggest inequalities and large-scale poverty occur and where the issue of meeting the MDGs is most urgent. Figure 3 depicts the location of the LDCs (for details, see also Table 3).

<sup>11</sup> Helen Todd (1996) Cloning Grameen Bank. Intermediate Technologies Publications, Ltd. London.

Figure 3



The UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) was established by the General Assembly (Resolution 56/227) in 2001 to have special focus on these nations and their progress towards the MDGs. The criteria for identifying the Least Developed Countries, as defined by OHRLLS, are as follows<sup>12</sup>:

- a low-income criterion, based on a three-year average estimate of the gross domestic product per capita (under \$750 for inclusion, above \$900 for graduation);
- a human resource weakness criterion, involving a composite Augmented Physical Quality of Life Index (APQLI) based on indicators of: (a) nutrition; (b) health; (c) education; and (d) adult literacy; and
- an economic vulnerability criterion, involving a composite Economic Vulnerability Index (EVI) based on indicators of: (a) the instability of agricultural production; (b) the instability of exports of goods and services; (c) the economic importance of non-traditional activities (share of manufacturing and modern services in GDP); (d) merchandise export concentration; and (e) the handicap of economic smallness (as measured through the population in logarithm); and the percentage of population displaced by natural disasters.

<sup>12</sup> [www.un.org/ohrlls](http://www.un.org/ohrlls)

The many other multilateral institutions focused on economic and human development such as the World Bank, the World Health Organization (WHO) and the United Nations Development Program (UNDP) defer to these criteria and use them in their own analyses. To be added to the list, a country must meet all three criteria, and to graduate from the list, a country must meet the thresholds for at least two of the three criteria in two consecutive triennial reviews by the Committee for Development Policy (CDP). The first Review, in 2003, added East Timor to the list and suggested that Cape Verde and Maldives be recommended for graduation. The next review will take place in 2006 and Samoa has since also been recommended for graduation. After the review, a recommendation will be made to the General Assembly, which is responsible for the final decision on the list of LCDs. Table 3 lists the 50 countries classed as “Least Developed” by the UN in 2005.

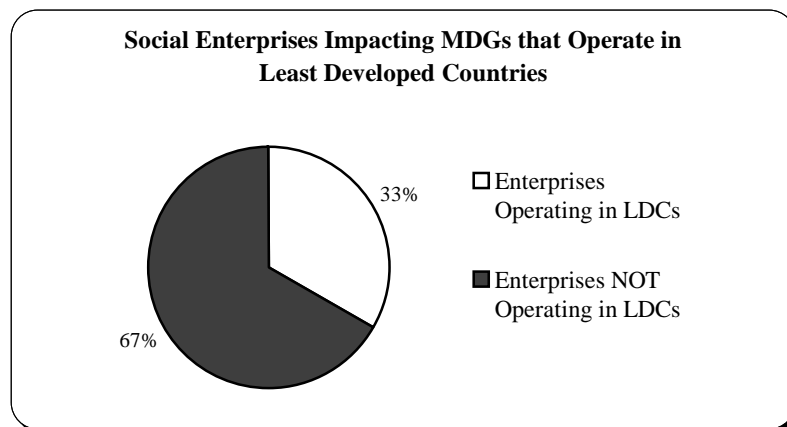
**Table 3**  
**Least developed countries**  
**2003 Gross National Income in USD per capita in parenthesis**  
**For comparison purposes: the US GDP per capita in 2003 was 37,610<sup>13</sup>**

<b>Afghanistan (n.a.)</b>	<b>Madagascar (290)</b>
<b>Angola (740)</b>	<b>Malawi (170)</b>
<b>Bangladesh (400)</b>	Maldives (2,300)
<b>Benin (440)</b>	Mali (290)
Bhutan (660)	Mauritania (430)
Burkina Faso (300)	<b>Mozambique (210)</b>
Burundi (100)	Myanmar (n.a.)
<b>Cambodia (310)</b>	<b>Nepal (240)</b>
Cape Verde (1,490)	<b>Niger (200)</b>
Central African Republic (260)	Rwanda (220)
<b>Chad (250)</b>	Samoa (1,600)
Comoros (450)	Sao Tomé e Príncipe (320)
<b>Democratic Republic of Congo (100)</b>	Senegal (550)
Djibouti (910)	Sierra Leone (150)
Equatorial Guinea (n.a.)	Solomon Islands (600)
Eritrea (190)	Somalia (n.a.)
<b>Ethiopia (90)</b>	Sudan (460)
<b>Gambia (310)</b>	East Timor (430)
<b>Guinea (430)</b>	Togo (310)
Guinea Bissau (140)	Tuvalu (n.a.)
Haiti (380)	Uganda (240)
Kiribati (880)	<b>Tanzania (United Republic of) (290)</b>
<b>Lao (People’s Democratic Republic) (320)</b>	Vanuatu (1,180)
<b>Lesotho (590)</b>	Yemen (520)
Liberia (130)	<b>Zambia (380)</b>

<sup>13</sup> WorldBank Data, Atlas methodology.

Since headquarter locations for many initiatives as depicted in Figure 2 are not necessarily the locations where Schwab Social Entrepreneurs are actually operating, we have analyzed the countries in which they are active in more detail. These include the following LDCs: Afghanistan, Angola, Benin, Chad, Congo, Ethiopia, Gambia, Lesotho, Malawi, Mozambique, Niger, Tanzania, Bangladesh, Cambodia, Laos and Nepal. Thus, 18 LDCs are being serviced by Schwab Foundation social entrepreneurs (shown in bold in Table 3), representing 36% of the 50 LDCs. Of the 48 social enterprises from the sample population which are directly contributing to MDGs, 33% are operating in the Least Developed Countries of the world as shown in Figure 4.

**Figure 4**



The vulnerability criterion for being declared an LDC ensures that countries in special need are included in the list. In addition, the fundamental recognition of structural handicaps excludes large economies: the population must not exceed 75 million. For this reason, not all of the LDCs appear neatly clustered at the bottom of development rankings such as the Human Development Index (HDI), or the World Bank's compilation of World Development Indicators. Indeed, it is often the case that key indicators used to compile these rankings are not even monitored in the world's Least Developed Countries.

Each year, both the World Bank and the UNDP publish statistics which rank countries based on their level of development. Since 2000, these and other multilateral organizations now incorporate the specific indicators used to measure progress towards the MDGs, along with other key indicators for economic development. The major difference between the World Bank and UNDP reports is that the World Bank's World Development Indicators provides lists, tables and rankings according to data for each of the separate indicators, while the UNDP's Human Development Index attempts to combine a large array of different indicators into one overall ranking for human development which also takes into account less easily measurable factors relating to quality of life. The UNDP Human Development Report 2004 takes the approach that the basis of development is to enlarge human freedoms and to expand human capabilities by expanding the choices that people have to live full and creative lives.<sup>14</sup> It further states that these capabilities must be universally valued and that they must be basic to life in the sense that their absence would obviate many other choices.

“It is easier to measure national incomes than human development. And many economists would argue that national income is a good indicator of human well-being.

<sup>14</sup> UNDP (2004) Human Development Report 2004.

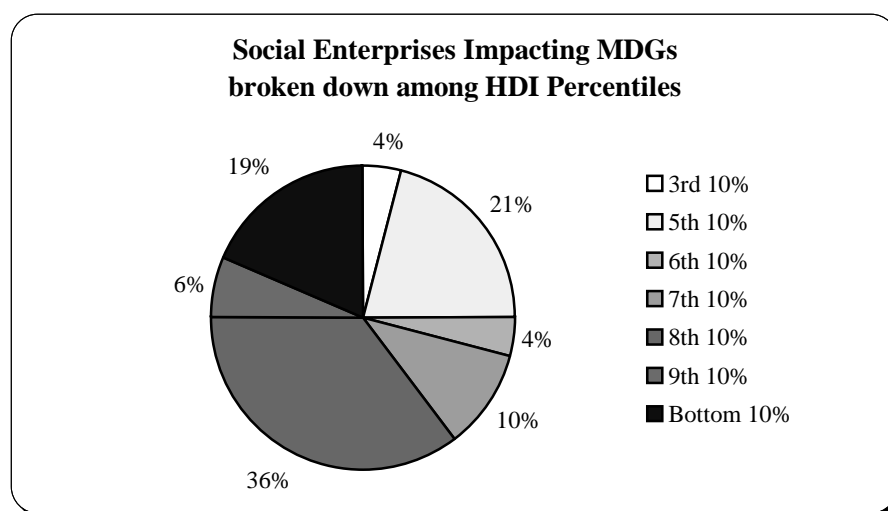
While there is evidently a strong relationship, since economic growth is an important means to human development, human outcomes do not depend on economic growth and levels of national income alone. They also depend on how these resources are used – whether for developing weapons or producing food, building palaces or providing clean water. And human outcomes such as democratic participation in decision-making or equal rights for men and women do not depend on incomes. For these reasons the Report presents an extensive set of indicators (33 tables and almost 200 indicators) on important human outcomes achieved in countries around the world, such as life expectancy at birth or under-5 mortality rates, which reflect the capability to survive, or literacy rates, which reflect the capability to learn. They also include indicators on important means for achieving these capabilities, such as the gaps between men and women in schooling or political participation.<sup>15</sup>

The Human Development Report focuses on four important capabilities: to lead a long and healthy life, to be knowledgeable, to have access to the resources needed for a decent standard of living and to participate in the life of the community. All of these capabilities are covered by the Millennium Development Goals, although the targets set for them are extremely basic, such as halving the proportion of people living on less than \$1 a day. For this reason it is important to focus development efforts where they can do the most good. It is the aim of this paper to demonstrate that a good percentage of social entrepreneurs are doing just that.

Given the importance of taking into account all of the factors contributing to human well-being and development, we use the holistic HDI ranking to assess the contributions of our population of social entrepreneurs rather than a single indicator such as Gross National Income (GDI) per capita, as available in the World Bank's World Development Indicators.

Taking the population of 48 social enterprises which are directly contributing to MDGs and breaking it down according to the HDI rank of the least developed countries in which the enterprises are operating, we find that 61% of them are servicing the bottom 30% of countries in the HDI (Figure 5).

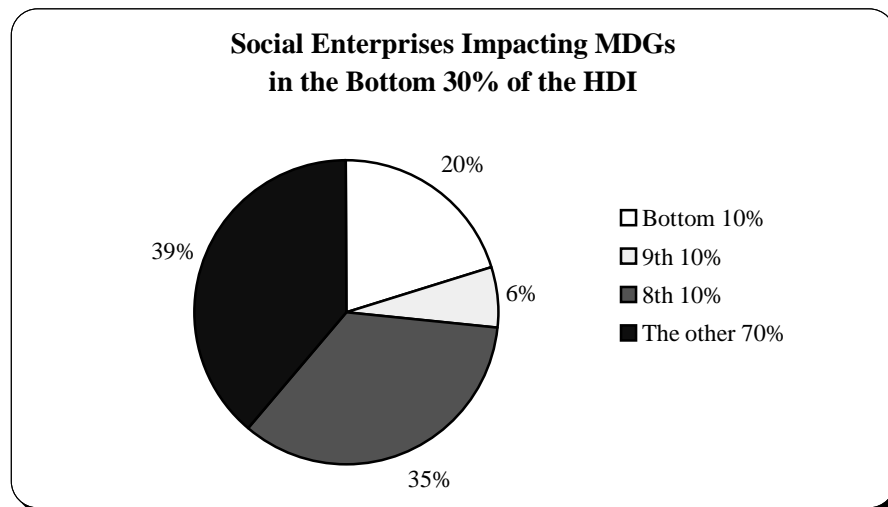
**Figure 5**



<sup>15</sup> See note 14.

While the majority of the UN designated Least Developed Countries (LDCs) are in the bottom 20% of the HDI (the exceptions are Bangladesh, Cambodia, Laos and Nepal), Schwab social entrepreneurs who are impacting MDGs also work with a large percentage of those ranking in the bottom 30%. The bottom 30% includes India and Pakistan, which are excluded from the LDC list on account of their size and yet, according to the HDI, have a level of development similar to or lower than that of Bangladesh. Figure 6 shows the breakdown of social entrepreneurial initiatives impacting MDGs in the bottom 30% of the HDI.

**Figure 6**



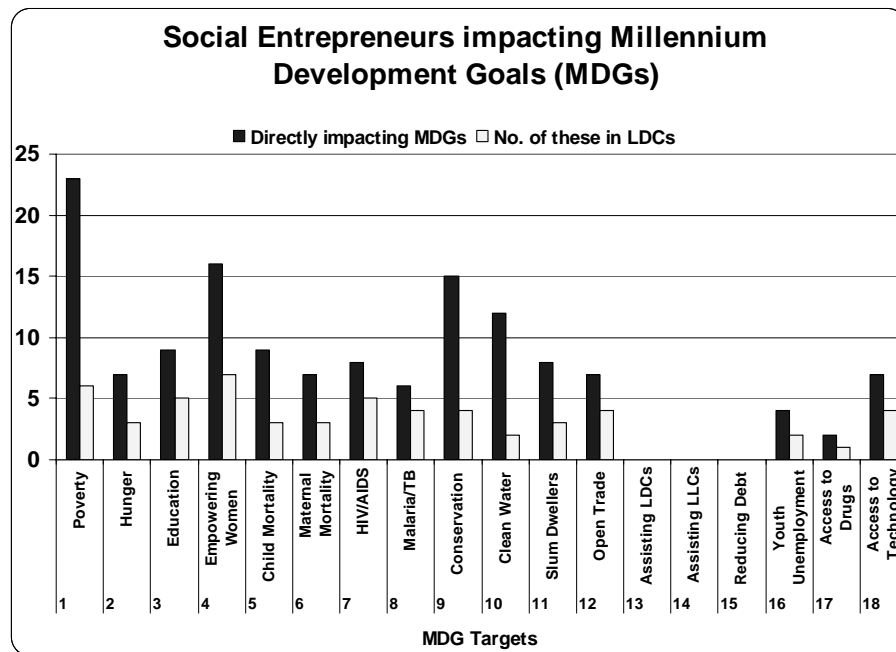
Having established that at least 65% of the Schwab Foundation list of social entrepreneurial initiatives are impacting MDGs, and that 33% of that 65% are operating in the LDCs as defined by the UN, while 61% of the countries served rank in the bottom 30% of the HDI, we will now consider which MDGs are being affected most by the social entrepreneurs' work and which initiatives are the best examples.

### **A Detailed Analysis of Impacting Millennium Development Goals**

Figure 7 displays the number of social enterprises making an impact in each target area, along with the number doing so in LDCs, while Table 4 provides a summary of these figures.



Figure 7



Thus, we can see that the largest percentage of social entrepreneurs is working to help eradicate poverty directly. It should be noted that most of the enterprises in the Schwab network will have at least some kind of an impact on poverty, although many operate in countries with a high level of human development that do not fall anywhere near the MDG threshold of \$1 a day.

Table 4

	Targets	No. of Enterprises Directly Impacting Targets	Percentage of SE Population impacting MDGs	Percentage of total SE Population	No. of these in LDCs
1	Poverty	20	42%	28%	4
2	Hunger	5	10%	7%	1
3	Education	9	19%	13%	4
4	Empowering Women	15	31%	21%	7
5	Child Mortality	9	19%	13%	2
6	Maternal Mortality	7	15%	10%	2
7	HIV/AIDS	7	15%	10%	4
8	Malaria/Other Diseases	6	13%	8%	3
9	Conserving Natural Resources	13	27%	18%	2
10	Access to Clean Water	11	23%	15%	1
11	Slum Dwellers	9	19%	13%	2
12	Promoting Open Trade	7	15%	10%	4
13	Assisting LDCs to grow	0	0%	0%	0
14	Assisting LLCs to grow	0	0%	0%	0
15	Reducing Debt of Developing Countries	0	0%	0%	0
16	Reducing Youth Unemployment	4	8%	6%	2
17	Access to Drugs	2	4%	3%	1
18	Access to Technology	7	15%	10%	4



## Conclusions

Of the 48 social enterprises contributing to the achievement of the MDGs, 16 (33%) are operating in LDCs, and a further 13 are operating in countries ranked in the bottom 30% of the HDI. This means that 60% of the 48 initiatives are working to alleviate poverty, disease and death and to increase the overall quality of life by expanding human capabilities and choices in the poorest countries. Among them are certain social enterprises which could well be making a significant impact, either by attacking a broad range of the worst problems in the least developed places, or by concentrating on a particular area and going deeper into the problem. For example, many of the social enterprises on the Indian subcontinent take a much more holistic approach to tackling poverty by attacking a range of the problems that contribute to it. BRAC in Bangladesh is probably one of the best examples of this broad approach; it aims to mobilize the latent capacity of the poor to uplift themselves through self-organization, with projects in microfinance, health, education and environment. One social enterprise which is making a great impact in the area of health service delivery is Riders for Health. This organization operates in countries that are among the least developed on the globe: Nigeria, Zimbabwe and Gambia. It focuses on supporting health workers in rural Africa by operating a fleet of motorcycles and other vehicles and offering training on maintenance and driving skills, so that the vehicles –and the patients– survive the harsh conditions. This initiative has the potential to make a real difference in the areas of child and maternal mortality, HIV/AIDS, malaria and other diseases by making health workers far more mobile and cutting the costs of service delivery.

Our data indicate that social entrepreneurs are potentially valuable partners for multilateral development organizations struggling to achieve the MDGs by 2015. Furthermore, social entrepreneurs are building resources, in the form of human and social capital and intangible assets such as trust and credibility, that may put them in a prime position to partner with corporations in developing new markets and new service offerings<sup>16</sup> and so contribute directly to large-scale economic development as well.

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<sup>16</sup> Seelos, C. & Mair, J. (2005) Sustainable development, sustainable profits. *European Business Forum* 20, 49-53.