Think Global Trade Social

How business with a social purpose can deliver more sustainable development
Foreword

2015 is a pivotal year for our planet and people. Whilst we have made some progress in achieving our development goals for the new millennium, the challenge is growing. Inequality has become a defining issue of our time – the poorest people on the planet must not be forgotten. And we no longer can we ignore climate change and the environmental risks to our civilization.

As the world becomes more aware of its shared challenges, the need to address them becomes more pressing. To address the underlying causes of the challenges we face we need new solutions that are both effective and scalable.

Across the world, people are realizing that the principles and practices of social business and social enterprises offer a way to do business with a social or environmental purpose. These businesses are helping to ensure our common future and the transition to a more sustainable economy.

Putting social and environmental purposes in the driving seat of business is the only way to ensure an equitable and sustainable economy for the 21st century.

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Introduction

This report makes the case for the important role that social enterprise and business with a social purpose can play in driving sustainable and inclusive development, tackling inequality, and helping to address some of the biggest challenges targeted by the UN’s Sustainable Development Goals (SDGs). Published ahead of the UN’s adoption of the SDGs, a pivotal event that will set the world’s development agenda for the next 15 years, this report considers our considerable achievements and substantial failures in meeting the previous set of global targets: the Millennium Development Goals. It has become increasingly clear to policymakers and others that our best and most powerful instruments to address poverty and inequality are at the core of the problem.

We need to think global and trade, and social. This is a means to deliver.

Many politicians, policymakers, and institutions across the world are starting to see this potential in social enterprise. But the new SDGs look set to underwrite the critical role of business and social entrepreneurship in delivering the social purpose required to achieve the goals. We need to develop policy frameworks and practical actions to deliver this potential.

The Challenge for this New Millennium

At the end of the last century, the leaders of 189 countries from around the world came together to agree to the Millennium Development Goals. These broad and ambitious goals were set to be achieved by 2015, then a distant point in the future by which time poverty would be eradicated, environmental sustainability would be secured and human rights would be realised.

15 years later, much progress has been made. Many countries have achieved a significant number of the goals. Many millions of lives have been transformed and our collective quality of life has improved. The UN points out that since the millennium, the fastest reduction in poverty in human history of half a billion fewer people living below an international poverty line of $1.25 a day. Child death rates have fallen by more than 30% with about three million children’s lives saved each year compared to 2000. Deaths from malaria have fallen by one quarter.

But in many respects, we have failed. Extreme poverty has only been halved, but 1.5 billion people still live in poverty. Universal primary education has not been achieved. Women around the world still face massive disadvantages. Child mortality rates have reduced but the goal of reducing under-five mortality by two-thirds will be missed. Progress on maternal health has been relatively slow and has reversed in some cases. In 2010, 33 million people were estimated to be living with HIV and in some areas, tuberculosis is still as prevalent as it was in 1990. CO2 emissions are around 30% higher than in 1990. Global partnerships for development have been strengthened but while aid to Africa has increased, for example, this remains far short of commitments.
Interconnected Challenges & the Rise of Income Inequality

Through their financial circumstances are less free to make choices to improve their own conditions in terms of education, health and so on. A rights-based model of economic development and Amartya Sen’s conception of Development as Freedom may have been lauded by many in theory, but in practice, these freedoms are still out of reach for millions of people around the world. Here is a sort of economic democratic deficit.

As a consequence, more and more people are questioning our established economic models and instead, casting their nets for alternatives which can achieve more sustainable and equitable development. We need more inclusive and democratic models of economic development. We are to deliver against ambitions for more equal access to healthcare, education, food and other essentials; and we must surely consider how economic inequality is holding us back.

“Tackling growing inequality, in rich and poor countries alike, has become a defining challenge of our times. Our post-2015 objective must be to leave no one behind.”

- UN Secretary General, Ban Ki Moon

Café Direct

Café Direct was created in 1991 by Oxfam, Traidcraft and others. It was the first coffee brand in the UK to carry the Fairtrade mark and is the UK’s first 100% Fairtrade drinks company, selling coffee, tea and hot chocolate. The business had a transformative effect on the Fairtrade movement as the first Fairtrade product to be sold in a supermarket in the UK. It is now one of the largest coffee and tea brands in the UK.

Café Direct works with dozens of coffee, tea, and cocoa producers across a range of countries, paying above market prices to battle economic inequality. Most of these small farmers have shares in the business and are active members of the enterprise. On top of this ‘social premium’, Café Direct reinvests 50% of its profits – millions of pounds – to strengthen these grower businesses and communities. Café Direct also works to strengthen farmers’ access to training and education and supports partners to develop co-operative and community-led models to enhance energy efficiency and combat deforestation.

www.cafedirect.co.uk

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9 http://www.theguardian.com/business/economics/blog/2015/jun/30/
10 http://www.cafedirect.co.uk/our-story/our-commitment-to-fairtrade.html
Income Inequality and Growth

Income inequality, as measured by the Gini coefficient, has changed little in many countries and has often increased, despite staggering growth in many parts of the world over the past decade. The proceeds of growth are not being distributed equally.10

**Morocco**

Morocco from 2001 to 2007 grew at an average 4.60% per year while income inequality worsened by an average 0.12% per year over the same period.

**India**

India from 2004 to 2011 grew at an average 8.24% per year while income inequality worsened by an average 0.05% per year over the same period.

**Indonesia**

Indonesia from 2002 to 2011 grew at an average 5.61% per year while income inequality worsened by an average 3.14% per year over the same period.

**Thailand**

Thailand from 2002 to 2011 grew at an average 6.35% per year while income inequality improved by an average 0.77% per year over the same period.

**Nigeria**

Nigeria from 2004 to 2010 grew at an average 6.27% per year while income inequality worsened by an average 1.23% per year over the same period.
The Ambition Now

In September 2015, global leaders will gather together in New York to describe the challenges facing the world and to set ourselves new, ever more ambitious goals. These new Sustainable Development Goals will include numerous targets and indicators, setting the agenda for UN member states over the next 15 years. Later in the year in Paris, at the 2015 Climate Change conference in December, leaders will reconvene to achieve a legally binding, universal agreement to keep global warming below two degrees.

These new goals must surely learn from the experience of those set at the beginning of the millennium. External critics and insiders alike have suggested the Millennium Development Goals (MDGs) did not focus enough on tackling inequality and sustainable economic development. One of the UN’s own reviews of the MDGs, for instance, concluded that they “did not focus enough on reaching the very poorest and most excluded people. Most seriously, the MDGs fell short by not integrating the economic, social, and environmental aspects of sustainable development. People were working hard—but often separately—on interlinked problems.”

So emerging from the multi-annual, multilateral, multi-layered process of negotiations to draw up the new SDGs, we are already seeing among the 17 goals and 169 targets:
- Greater ambition—to end poverty, for instance
- A greater focus on root causes of global challenges
- A more universal approach encompassing the more developed countries alongside the developing world
- A greater focus on reducing inequality within countries as well as between them
- More holistic integration of economic, social and environmental considerations, reflecting the interconnectedness of the challenges we face
- Focus on inclusive and sustainable economic growth

But as well as this shift in emphasis, the SDGs and subsequent actions should respond to our collective failure to meet the last set of ambitions. This was no fault of the nature, scale or scope of the goals themselves. Aarif Rahman, Governor of the Bank of Bangladesh, describes how “the conventional short-term business cycle focused monetary and financial policy approaches are failing to address the longer term needs of inclusivity and environmental sustainability.” Many African countries have been pushing in negotiations for greater emphasis on economic transformation. Others have been arguing for a more significant role for business in global partnerships for sustainable development. So greater attention must be given to some of the proven and practical means and mechanisms for achieving whole systems change which can drive more sustainable development, the focus of the next section of this report.

AFRipads

AFRipads is a social enterprise in Uganda which responds to the challenge of girls in the developing world falling behind in school as a result of missing up to 5 days a month of school during their periods. The business trains women to sew and sell washable, reusable cloth sanitary pads as a sanitary, eco-friendly and cost-effective menstrual hygiene solution, enabling women to stay in school or go to work with confidence.

AFRipads is based in the village of Kitegeesa in rural Uganda and employs over 100, mainly female, employees. The business runs a number of factories producing over 30,000 AFRipads a month and has now helped over 500,000 girls and women around the world. AFRipads are sold in other parts of Africa and by NGOs and international relief agencies, as well as by individual buyers in Uganda. The business has become a global supplier of reusable menstrual kits and is empowering women and girls around the world.

www.afripads.com
The Means & the Money

When it comes to the means of supporting international development, many people’s minds turn immediately to aid. This aid includes a wide range of development assistance of which Official Development Assistance (ODA) is one important part. ODA is defined by the OECD’s Development Assistance Committee as “a concessional funding provided by its members to support the welfare and economic development of an agreed list of developing countries.” The target of spending 0.7% of gross national income (GNI) on ODA was first adopted in 1970 and the international community has reiterated several occasions the intent to fulfill their ODA commitments but has often fallen short. Today, the United Kingdom is the only country in the top five largest donors by volume of ODA to have reached the 0.7% target.

The UN’s 2030 report into the current arrangements for development partnerships stated that “Aid remains an important source of development finance, and the international community should reaffirm and set clear timelines for achieving its official development assistance (ODA) targets, especially for countries with special needs. Preserving these external resources should be geared towards increasing the capacity of developing countries to mobilize domestic resources, while also promoting good governance and combating capital flight.”

In 2013, ODA stood at $134.8 billion in 2013, the highest level ever recorded. For some countries, aid remains critical. For example, the total reported ODA to Lebanon in 2011 exceeded government expenditure. In Rwanda, the value of ODA was equivalent to 80% of total government spending. Yet, perhaps countereffectively, aid is currently shifting away from the poorest countries. As the UN describes it, the “trend of a falling share of aid going to the neediest sub-Saharan African countries looks likely to continue.”

As the same time, calls are growing stronger for greater co-operation and enhanced collaboration among the ODA community. Jonathan Wong from the UK’s Department for International Development (DFID) describes how “DFID has traditionally used competition as a driver for innovation. Now the intention is to form interesting collaborations.” The European year for Development also puts emphasis on co-operation, describing how “the development landscape has seen the traditional donor-recipient relationship give way to a world of co-operation, mutual responsibility and mutual interest.”

While ODA is worth $134.8 billion, the scale of global trade is in a completely different dimension. Global GDP is worth $71 trillion per year and global trade in goods and commercial services is worth $23 trillion. The ODI summarises how this economic activity is far more significant to development than flows of aid. “Developing and emerging economies have been driving global growth over the past decade and it is this, not ODA, that has been the main driver of poverty reduction at a global level.” Developing countries now account for around 50% of the world merchandise trade. As the UN says, “Trade remains the most reliable and productive way of integrating into the global economy and of supporting the efforts of poorer countries to become less aid dependent.”

The European Union also emphasises the distinction between aid and development cooperation. “Humanitarian aid aims to save people’s lives and addresses their basic needs in crisis situations. Development cooperation supports countries over the medium and long term so they can overcome poverty and grow sustainably.”

So it is our economic system which creates the winners and the losers, positive and negative impacts and shapes the ability of individuals and communities to thrive. Trade not aid is the single biggest driver of access to critical goods and services from power to water and food and education. Trade, enterprise and business are by far the most critical drivers of local opportunity and global prosperity and therefore must be at the heart of plans to deliver more sustainable and equitable development.

The report notes that “the private sector provides some 90 per cent of jobs in developing countries, almost all of the infrastructure and much of the education.”

Global trade depends in part on global flows of finance, capital or investment. $5 trillion is held in sovereign wealth funds and global foreign direct investment (FDI) in developing economies is worth almost $800 billion per year, again putting ODA in some perspective. Developing countries invest $1 trillion every year in infrastructure and developing country debt payments in 2014 is $5.2 trillion, per year.

In summary, the means of supporting international development is ODA and its scale is not insignificant. However, the scale of global trade dwarfs that of ODA, and it is the economic system which creates the winners and the losers, positive and negative impacts and shapes the ability of individuals and communities to thrive. Trade not aid is the single biggest driver of access to critical goods and services from power to water and food and education. Trade, enterprise and business are by far the most critical drivers of local opportunity and global prosperity and therefore must be at the heart of plans to deliver more sustainable and equitable development.

Piketty: Gains from Trade and Inequality

In 2014, Thomas Piketty’s investigations into Capital in the 21st Century gained remarkable global attention, praise and some criticism. Whatever the merits or flaws in his econometrics and his methodology, it was his central hypothesis that captured imaginations. In short, Piketty put forward the simple idea that if the rich are getting richer faster than the world is getting richer then inequality will rise.

Piketty’s simple idea suggests that if we want to ensure that inequality doesn’t inexorably rise in future, then we need to recalibrate the balance between returns from capital and growth. Or in other words, the financial benefits of wealth creation must be shared more equitably between providers of capital and the rest of the world.

This means a greater focus on who profits from the distribution of gains from trade. The UN points out how “the gains from trade have been spread unevenly both geographically and over time with a bias in favour of richer countries” as well as expressing concern about “the growing influence of TNCs on the distribution of gains from trade.”

So to address inequality we need to consider and ultimately rebalance the terms of engagement between trade and investment, between the rich and the poor, between large and small businesses, and between developed and developing economies.

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2 http://www.oecd.org
3 http://www.oecd.org
4 http://www.oecd.org/Development/Books/0,3432,en_2649_40381874_34327714_1_1_1_1,00.html
5 http://www.oecd.org
6 http://www.oecd.org/Development/Books/0,3432,en_2649_40381874_34327714_1_1_1_1,00.html
The Relative Scale of Global Financial Flows

The relative scale of global trade, investment, remittances, and global CSR activity and impact investment sheds some light on the means and mechanisms we have at our disposal for delivering more sustainable and equitable global development.
Meanwhile the UN point out the potential - "only 2% of the $5 trillion in sovereign wealth fund assets has so far been invested in sustainable development projects. The EU describe how "The strategic use of grants allows the Commission to leverage additional development finance for infrastructure investments. Scaling up of blending in cooperation with development finance institutions also facilitates the involvement of the private sector as a source of finance." The World Bank estimates that in terms of just infrastructure alone, an additional $1 trillion to $1.5 trillion of annual investment in low and middle income countries will be required through 2020 to meet the infrastructure demand from industry and households. The World Bank's Development Committee communiqué argued that "Achieving the sustainable development goals will require a transformational vision that combines all possible sources of financing, including official development assistance, public and private and sources of funds. Investment may increasingly be directed towards the developing world. But it can also be targeted to initiatives which explicitly aim to boost enterprise, equity and sustainability, and which aid wider social or environmental value. The UN push the case for closer links between investment flows and purpose, arguing that "Financing strategies and commitments, lending policies and sectoral action plans, both at the domestic, regional and international levels, must be linked to specific goals and targets." In May 2015, US Secretary of State John Kerry announced that he would create a Global Impact Economy Forum, focused on clean energy investments and climate change. The forum will discuss and promote the impact that green investments can have in the fight against global climate change."

Meanwhile, other financial flows are emerging which render aid even less significant in delivering sustainable development.

- **Taxation:** within developing countries is on the up, enabling greater opportunities for supporting development domestically and for addressing inequality within countries. While trade liberalisation has opened the global economic development, "80% of imports from developing countries entered developed countries duty-free and tariffs remained at an all-time high. Tax take within national economies are rising - the ODI point out, that average tax rate rose from 22% in 2000 to nearly 29% in 2010."**

- **Remittances:** tripled in nominal terms between 2001 and 2004, reaching $530 billion in 2012, an average growth rate of $2.4% per annum. The average remittance transfer fee is more than 8% suggesting that such fees alone are worth at least 4 times the value of global social impact investment.**

- **Illegal capital flight:** through misappropriation of funds, tax evasion, corruption, transfer pricing, smuggling capital was estimated to be worth just short of a trillion - $981 billion in 2012, around eight times the value of ODA. Somewhere between $52 and $323 trillion of assets are estimated to be held in off-shore tax havens.**

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**Social Impact Investment**

In the last 10 years in the UK, the US, other G7 countries and elsewhere around the world, we have seen increasing enthusiasm for the power and potential of social / impact investment.

The Report of the High-level Panel of Eminent Persons on the Post-2015 Development Agenda refers to this potential, “Social impact investors show that there can be a "third way" for sustainable development – a hybrid between a fully for-profit private sector and a pure grant or charity aid programmes. Because they make money, their efforts can be sustainable over time. But because they are new, neither business nor charity, they do not fall neatly into traditional legal frames. Some countries may need to consider how to modify their laws to take better advantage of this sector.” Yet it is still early days. The latest data from the Global Impact Investing Network (GIIN) estimates global activity at just $10.6 billion in the last year, relatively tiny in context of other investment flows. Funds are still starting up, deal flow is sometimes only trickling through and some Social Impact Bonds are encountering teething problems. Meanwhile, while microfinance has been credited with lifting millions of people out of poverty, it has also earned significant criticism for perceived overreliance on subsidy or for not reaching the very poorest.

There is clearly an inspiring idea at the heart of social impact investment and one worth pursuing – that finance can be harnessed and directed to achieve greater social impact. Some models, built around community shares, peer-to-peer lending and crowdfunding have grown significantly in just a few years. But there is still a long way to go before these models can make a transformative contribution to addressing our global challenges.
Changes in the Scale of Global Financial Flows

Over the last decade, global GDP has doubled. FDI has tripled and remittances are 6 times bigger than they were. Over the same period, aid flows have increased by just 50%. In Middle Income Countries, ODA/GDP rates nearly halved during the 2000s, whereas tax revenues, FDI and workers’ remittances have all seen an upward trend. Low-income countries, however, remain much more dependent on ODA.

FDI
FDI flows to developing economies tripled from $226 billion in 2001 to $778 billion in 2013.

Global GDP
Global GDP more than doubled from $63 trillion in 2001 to $175 trillion in 2013.

Remittances
Remittances more than five times bigger from $818 billion in 2001 to $330 billion in 2012.

Aid
Aid has increased by around 50% from $83 billion in 2001 to $134.8 billion in 2013.

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* Source: World Bank
* Figures are in current prices
* All figures are USD
The Response

The dawn of a new development era provides a unique opportunity. Reflecting upon the above - our failure to meet the development goals for the new millennium, the interconnectedness of the new emerging goals, and the rise of income inequality as a defining challenge of our time - we can identify six principal challenges. This time, if our new goals for more equitable sustainable development are to go beyond aspiration to delivery, then we need to harness practical, market-led means, mechanisms, and models which respond directly to each of these six lessons.

This demands practical economic models which:

1. focus on the very poorest and most disadvantaged and address inequality

2. take greater responsibility for the environment

3. operate within and shape markets and trading patterns, fundamentally redefining our economic system to improve lives and manage our resources more responsibly

4. renew wealth where it is created on more equitable terms, sharing the proceeds of growth more equally, recycling and adding rather than extracting value

5. harness and endorse greater co-operation

6. embody and inspire a radical shift in transparency and accountability

Thankyou

Thankyou was founded by 19 year old Daniel Flynn and some friends in 2008. From starting out selling bottled water products in Australia, it has grown to encompass three different brands – Thankyou Water, Thankyou Food and Thankyou Body Care, selling over 46 distinct products. When you buy from Thankyou you help fund development projects across the world. The Thankyou range is stocked in thousands of locations across Australia and it has been described as the “Apple of the Fast Moving Consumer Goods Industry” according to one industry insider.

The enterprise is owned by, and donates profits to the Thankyou Charitable Trust. This means there are no external investors or shareholders expecting a share of profits. It also means development projects are attracting new money towards a good cause rather than competing for aid and donations from a finite pot of money.

www.thankyou.co

Karuna Trust

Karuna Trust has been delivering health and development programmes for over two decades in India, reaching over a million people.

The Karuna Trust’s partnership model was originally developed to bring together public infrastructure and funding with the village community – through a new social enterprise accountable to a Village Council – to deliver healthcare, often in remote areas. The Village Council over poor performing Primary Health Centres (PHCs) to Karuna Trust to professionally manage and deliver operations and health care services. Much of its income comes from the state, subject to effective performance management of services which the public sector was struggling to deliver itself.

The model has since developed to include medicine, eye care, telemedicine, dental care, mental health and more, evolving from narrow health projects to wider sustainable development. The Trust has also developed mobile health clinics and in 2002, introduced a new, enterprising model of community health insurance which not only covered costs of healthcare but also transport and compensation for loss of wages.

www.karunatrust.com

This means business. This means market-driven solutions to global problems.

This means business with a social and environmental purpose: business which is reinvesting profits, businesses which are inspired by a spirit of co-operation and businesses which are transparent and accountable for their actions.

This means social enterprise.

Social enterprises are often defined as businesses which have a clear social or environmental commitment which generate the majority of their income through trade, principally reinvest profits in their mission, are accountable and transparent and which have participatory or democratic governance or ownership. Indeed, the defining characteristics of social enterprise respond directly to the six imperatives outlined above.

This is a model where social mission sits at the heart of a business, pursuing purposes which combine prosperity, people and planet. Critically, social enterprises work to address inequality: sharing the gains from trade more equally while generating growth, jobs and wealth.

Of course, there is a spectrum here. Social enterprises come in different shapes and sizes. Beyond a tightly defined community of social enterprise which, through their legal and governance structure, meet all the defining characteristics above, there exists a broader family of businesses with a social purpose. Millions of individual entrepreneurs and family businesses are driven by a social mission. Sometimes people work together through co-operative structures while charities or NGOs may be moving to more entrepreneurial models. Meanwhile, ethical businesses, social ventures and responsible private businesses are seeing the gains to be made in a genuine values-led approach. Business is taking off. The idea of profit with purpose is gaining traction and talk of more responsible or inclusive capitalism is on the rise. All businesses have the potential to deliver greater social value.

An inspirational group of social enterprises will not only deliver our collective goals. Social enterprise is not the answer but the idea of business with a social purpose - the idea of social enterprise - can be the hero, as a way of life or a way of doing business.

Social enterprises are social businesses, businesses with a social purpose. They are increasingly being recognized as credible and necessary practical economic models to enable us to deliver our goals for the coming decades.

Through the financial, environmental and social value they create as they trade, these businesses are making a positive difference to millions of lives around the world every day. But they do more than that: businesses with a social purpose offer wider inspiration. By demonstrating that business can do well by doing good, these enterprises are influencing wider markets and the terms of trade for consumers and suppliers alike. They show that trade can be fair, supply chains can be ethical, employees can be treated well and empowered, customers can be valued and included, governance can be more democratic, businesses can be more responsible and accountable, citizens, and by doing business this way – that profits can be shared with communities. This is a means to deliver
Is social enterprise really being recognised as a critical vehicle for delivering our common goals?

Yes.

Across the globe over the past decade we have seen a significant shift in the awareness of the power of social enterprise. While there is still a long way to go, the recognition of social enterprise as a vital component of the economy and institutions is starting to see this for themselves. Global institutions, European bodies, Asian and African policy makers, business leaders, politicians and others are waking up to the alignment between the bottom up, social enterprises in villages, towns and cities and the lofty ambitions of global leaders.

Globally, international organisations are turning their attentions to social enterprise. Diego Ange-Urdinola, Senior Economist at the World Bank explains how “Social enterprises today are an emergent game changer in more ways than one. They are creating new employment opportunities, promoting innovation, providing goods and services, and more.” 86 87

In Asia, the rise of social enterprises is driving a new wave of entrepreneurship and innovation. Social enterprises are creating new jobs, providing affordable services, and addressing pressing social issues. The rise of social enterprises is also driving new business models, with a focus on sustainability and social impact.

Social enterprises are playing a critical role in addressing some of the most pressing global challenges, from reducing poverty and improving education outcomes to combating climate change and promoting environmental sustainability. By embracing innovative solutions and leveraging the power of business, social enterprises are demonstrating that it is possible to create a better world while also generating social and economic value.

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The Scale of Social Enterprise

Some critics—and even some advocates of social enterprise—dismiss its potential contribution to sustainable economic development on the basis that it is too small or too new. Yet this perception ignores a rich vein of evidence.

The G8 Social Impact Investment Taskforce, for example, report that 'Social sector organisations already account for more than 5% of GDP in several countries, including Canada, Germany, the UK and the US. In some countries, they employ more than 10% of the workforce.' Indeed, social enterprise, co-operatives and other social sector organisations account for very significant sectors of the economy across many countries of the world.

In some parts of the world, critics have suggested that social enterprise is often an elitist endeavour, pursued by those lucky enough to have the financial wherewithal to experiment with such models. Again, the contrary evidence collected in Social Enterprise UK’s State of Social Enterprise Report 2013 shows that in the UK, social enterprises are very heavily concentrated in the UK’s most deprived communities. 38% of all social enterprises work in the most deprived 20% of communities in the UK compared to 12% of traditional SMEs.

Social enterprises are far more likely to be led by women than mainstream businesses. 28% of social enterprises have a female leader, compared with 18% of SMEs and 33% of FTSE 100 companies. 28% of social enterprise leadership teams have BAME directors. Only 32% of SMEs report having directors from a BAME background.

In the Netherlands and Belgium, ‘nonprofits’ account for 15% and 13.1% of employment respectively, higher than the cafe and restaurant sectors.¹⁵

In Spain, the social economy accounts for over 20% of employment and the Mondragon co-operative alone turnover over €10 billion, more than the entire fishing industry.¹⁶

In the United States, social enterprises are estimated to represent 3.5% of GDP, more than the contribution of Silicon Valley.¹⁷

In Kenya, co-operatives account for 43% of Kenya’s GDP larger than either the public or private sectors.¹⁸

In France, the social economy represents 10% of GDP or more than the entire agriculture industry and in Germany around the same size as the automobile industry.¹⁹

In Italy, the social sector accounts for 10% of national GDP and 10% of the total workforce more than the wine industry.²⁰

In South Korea, the size of the social economy, including both inner- and social types of social economy organisations, co-operatives and social enterprises, is estimated to be worth 3% of GDP larger than the car industry.²¹

¹⁵ Social Enterprise UK (2013), Social Enterprise’s Impact 20:
¹⁶ http://www.mondragon.org
¹⁷ http://www.wto.org/english/res_e/tawk012_e.htm
¹⁸ http://www.betterbusinessbuilds.org/reportimpact
¹⁹ http://www.sustainability.org.uk/sites/default/files/pdfs/SocialEco
    nomics_in_France_web.pdf
²⁰ Social Enterprise UK (2013), Social Enterprise’s Impact 20:
    http://www.betterbusinessbuilds.org/reportimpact
²¹ Social Enterprise UK (2013), Social Enterprise’s Impact 20:
    http://www.betterbusinessbuilds.org/reportimpact
** Social Enterprise UK (2013), Social Enterprise’s Impact 20:
Conclusions

Social enterprise offers an inspiring model and mechanism to help us achieve our shared objectives for more equitable and sustainable development. This is a means to deliver.

The latest draft of the SDGs has 17 goals and 169 associated targets. Yet it fails to reflect the critical role of business at all levels that of responsible trading, social entrepreneurship and social enterprise. There is no reference to small, medium and large-sized business. While welcome, this reveals a broader problem: the SDGs pick out one characteristic of enterprise – size – while at the same time failing to reflect how businesses may be aligned with the goals, themselves. The SDGs risk missing a critical trick: businesses of all sizes can play a pivotal role in delivering our common social and environmental aims if driven by these purposes.

There is one other relevant reference in the latest draft: target 12.8 encourages “companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.” If we fail to expect any more than this, then we can expect to fail. As Pope Francis puts it in his recent Encyclical, “To seek only a technical remedy to each environmental problem which comes up is to separate what is in reality interconnected and to mask the true and deepest problems of the global system.”

So while the UN Global Compact and the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WBCSD) have come together to identify Key Performance Indicators (KPIs) that can help track business contributions to the SDGs, it is not enough that business is expected to contribute. The SDGs suggest that while there have been conversations on how the private sector can best be involved in any global development framework, these discussions tend to be overly broad and general. So far there have been very few specifics on how private sector actors can actually contribute to the post-2015 agenda, or how the design and delivery mechanisms of future goals could help shape private sector behaviours, where relevant.

A number of diverse commentators have commented on this at the heart of the SDGs:

- The ICA and ILO say: “The United Nations should recognize the role of cooperatives in the realization of sustainable development, by including cooperatives in the indicators, targets and funding mechanisms for the Sustainable Development Goals.”
- Jonathan Wong of ODI said in Milan recently that “We need to support social entrepreneurs whenever they arise if we are to meet the Sustainable Development Goals.”
- Diego Ange-Urdinola, Senior Economist at the World Bank makes his point in more specific terms. “The UN, OECD, World Bank and regional banks, maybe as a whole we are investing about $100 billion per year to promote social enterprise. If we compare this to what the World Bank gives to traditional enterprise, which is maybe $11 billion per year, then we see a financing gap, we are not doing enough.”

The SDGs look set in a trap with the contribution of social enterprise and it may be too late for this to change. But it is not too late to act.

Recommendations

In this year which will define an era, we need to consider the foundations of our whole economic system. No longer can we just tinkers at the margins. To deliver, we need to change the terms of the economic game. We need to think global and trade social. We need to shape and shift markets and rebalance the terms of trade across the world. We need to promote and support the development of social enterprise and create the conditions under which conventional businesses will adopt more environmentally and socially responsible behaviour. To this end, we recommend:

1. Even at this late stage, it may not be too late for the Sustainable Development Goals – a “plan of action for people, planet and prosperity” – to identify the potential for business with a societal purpose to deliver on our common goals by business practice, recognising the current gaps in this area across many countries. Policy frameworks could include:
   - reviewing and creating appropriate incentives through tax, procurement and regulatory regimes for business to behave with greater social and environmental responsibility
   - further research into and measurement of the contribution of social enterprise to GDP, innovation, jobs, equality and opportunities and social capital
   - greater transparency in business behaviour to ensure customers, investors and others to make more informed decisions
   - higher levels of awareness rising into the power and potential of social enterprise
   - the alignment of social and environmental performance to economic goals
   - the adjustment of strategic legal frameworks and the establishment of effective tools for enterprises seeking to deliver social and economic outcomes in tandem

2. The principle of social value in procurement can be adopted not only by federal and state governments but also by international institutions and donor agencies, as well as more widely across the business community

3. Governments should also co-operate internationally. In the UN’s words, “have regional, international and global partnerships in taxation and subsidies could advance an international understanding of environmentally sustainable and development-oriented taxation.”
Social Enterprise UK is the national membership body for social enterprise. Its members come from across the social enterprise movement, from local grassroots organisations to multi-million pound businesses. SEUK undertakes research and policy work, conducts campaigns, builds networks, delivers support and raises the profile and awareness of social enterprise. It was the driving force behind the Social Value Act becoming legislation, and continues to work with Government to develop this legislation. It also provides the unmissable platform for the Buy Social campaign, the producer of the most creative research on social enterprise, and has unparalleled reach through the largest database and directory of social enterprises in the UK. SEUK also undertakes training, consultancy and research with partners from around the world in an effort to build the markets for social enterprise and to raise the visibility of what they are collectively achieving.

SEUK also works to help grow the global social enterprise movement, through engaging with international partners to promote social enterprise, sharing examples of best practice and building awareness of the role social enterprises have to play in tackling global challenges. It hosts overseas delegations who want to find out more about social enterprises in the UK and sends representatives abroad to take part in conferences and policy discussions. SEUK takes a lead in steering the direction of the Social Enterprise World Forum and works together with the British Council to represent the UK social enterprise sector overseas.

The British Council is the UK’s international organisation for educational opportunities and cultural relations. We are on the ground in 160 countries, and work with people from all ages and backgrounds to inspire a world that is open to the ideas and possibilities that come from a mutual understanding of cultures.

We support the development of social enterprise in the UK and around the world through our Global Social Enterprise programmes. Launched in 2009, the programme provides social entrepreneurs and NGO practitioners with access to training, consultancy and investment opportunities to scale up their activities. We also work with policy leaders to create an enabling environment for social enterprise to embed social enterprise within education and academic collaboration, and develop social enterprise approaches to international development.

Our work draws on UK experience and expertise and is delivered with a range of international partners. It creates tangible opportunities for UK social enterprises and other sector organisations to collaborate with overseas counterparts and expand their international networks.

This supports positive social change, inclusive growth and sustainable development, while also sharing learning, building trust and creating opportunities between the UK and other countries.