



**The Emergence of the Dutch Social Enterprise:
Opportunities for International Development
Cooperation**

A Research Paper presented by:

Daniel Gómez González
(Colombia)

in partial fulfilment of the requirements for obtaining the degree of
MASTERS OF ARTS IN DEVELOPMENT STUDIES

Specialization:
**Local Development Strategies
(LDS)**

Members of the examining committee:

Prof. Dr. A.H.J. (Bert) Helmsing (Supervisor)
Dr. Georgina M. Gómez (Reader)

The Hague, The Netherlands
December 2012

Disclaimer:

This document represents part of the author's study programme while at the Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

Research papers are not made available for circulation outside of the Institute.

Inquiries:

Postal address: Institute of Social Studies
 P.O. Box 29776
 2502 LT The Hague
 The Netherlands

Location: Kortenaerkade 12
 2518 AX The Hague
 The Netherlands

Telephone: +31 70 426 0460

Fax: +31 70 426 0799

Acknowledgements

I would like to start by thanking my family, friends and former co-workers for helping me get here and for allowing me to learn so much from them. My words for Nati do not live up to the task of acknowledging what you represented throughout this whole process. You were my most faithful companion during long days and nights.

I would also like to sincerely thank the social entrepreneurs that I interviewed for their willingness to collaborate in this study and for being an inspiration to so many people out there. Thanks to the LDS staff and my colleagues for their support throughout this whole process and their valuable contributions in and out of the classroom. I thank Dr. Georgina Gomez, my second reader, for your comments and for pushing me to reach my full potential. A special mention to Esther Blom and Boukje Vastbinder, lecturers at Delft University, for the knowledge that they so openly shared.

Special thanks go to my supervisor, Professor Bert Helmsing, for being a true educator. You gave me an opportunity, guided me through this process and helped me deal with so many problems along the way. Thank you.

Contents

List of Tables	v
List of Figures	v
List of Acronyms	vi
Abstract	vii
Chapter 1 Introduction	8
1.1 Research Objectives and Questions	9
1.2 Methodology	10
1.3 Methodological limitations and ethical challenges	13
Chapter 2 Background	15
Chapter 3 Theoretical Framework	17
3.1 Defining Social Enterprise and NGO	17
3.2 Providing a framework for analysis	21
3.3 Synthesis of the Analytical Framework	27
Chapter 4 ...Of Social Enterprises and Development NGOs	29
4.1 General characteristics of the sample	29
4.2 Origins of NGOs and SEs: different drivers, different outcomes	31
4.3 The dynamism of business models in the development sector	32
4.4 Legal forms: never judge a book by its cover	40
4.5 Fields of action	42
Chapter 5 Bridging the Gap: from building markets to participating in them	46
Chapter 6 Conclusions	51
References	54
Annex I – List of organisations and people interviewed	59
Annex II – Questionnaire used for interviews to Social Entrepreneurs	60
Annex III – Summary of data gathered (SEs and NGOs)	70

List of Tables

Table 1. General characteristics of the organisations included in the study	31
Table 2. Main drivers associated with the origin of NGOs and SEs	32
Table 3. Government Subsidies and Donations as a Percentage of Total Income, 2007 and 2011	35
Table 4. Strategies used by NGOs for dealing with budget cuts	36
Table 5. Business Models of SEs and NGOs	38
Table 6. Importance of Sources of Funding for SEs, by business model	39
Table 7. Importance of Charitable and Commercial Funding for SEs, by legal form	42
Table 8. Fields of Action of SEs and NGOs	42

List of Figures

Figure 1. Locating Social Enterprises and NGOs	21
Figure 2. Market Building and Market Participation	26
Figure 3. Synthesis of the Analytical Framework	28

List of Acronyms

BiD	Business in Development
BoP	Bottom of the Pyramid
BV	Limited Liability Company (<i>Besloten Vennootschap in Dutch</i>)
CBF	Central Bureau for Fundraising
CIDIN	Centre for International Development Issues Nijmegen
CSR	Corporate Social Responsibility
EMES	European Research Network
FRES	Foundation Rural Energy Services
FTE	Full-time Equivalent
GT	Grounded Theory
ICCO	Inter-church Organisation for Development Cooperation
ICS	International Child Support
ICT	Information and Communications Technology
IICD	International Institute for Communication and Development
NGO	Non-Governmental Organisation
R&D	Research and Development
REF	Rural Energy Foundation
SBV	Social Business Venture
SE	Social Enterprise
SOVEC	Social Venture Capital
UEC	United Entrepreneurship Coalition

Abstract

The international development arena has been transformed in the last two decades. On the one hand, NGOs have become more market oriented, both in terms of their business models and in terms of their approach. On the other hand, private actors have also become more socially engaged, and advances in technology and communications have brought new opportunities for market sector actors to create social impacts. The result has been an increasing trend of social enterprises (SEs), hybrid organisations created for a social purpose but participating actively in the market for their subsistence.

This paper examines the differences between traditional NGOs, funded mainly by government grants and donations, and these new actors that rely primarily on market-based income. Furthermore, this study tries to examine how Dutch NGOs and SEs are creating links between activities focused on market building and actual participation in markets, a challenge that Helmsing and Knorringa identified in 2008. To do this, 21 SEs were interviewed and another 16 NGOs were studied on the basis of interviews (5) and their annual reports, strategy papers and official websites.

We find that there are three ways in which NGOs and SEs are successfully “bridging the gap” between market building and market participation: i) through official partnerships, ii) individually by tapping market and non-market sources of funding, using new technologies and leveraging from new forms of private philanthropy, and iii) by selling specialized “market building” services that guarantee an active participation of the private sector. Furthermore, the ability of SEs to engage in market building activities and of NGOs to participate in the market depends largely on their origins and the business models and financial strategies that they adopt.

Relevance to Development Studies

Social enterprises are an emerging new actor in international development. Regardless of the degree of their impact, it is important that we acknowledge them and the opportunities that they bring to the development sector. NGOs have become more market oriented by, amongst other things, helping build markets and, at times, by directly participating in them. Some see SEs as a potential partner of NGOs and others see them as a possible substituting actor. This paper attempts to identify differences/similarities between the two actors through a typology and to use this typology to identify how these actors address enterprise development.

Keywords

International Development, Social Enterprises, NGOs, Poverty Reduction, Enterprise Development

Chapter 1

Introduction

International development has been changing in the last decades, both in terms of the approach and strategies that development organisations have adopted to address income poverty, and in terms of the actors. On the one hand, non-governmental organisations (NGOs), predominant actors in international development for the past decades (Fowler 2011, Ronalds 2010), have adopted a more market-oriented approach to income poverty reduction and enterprise development ((Fowler 2000b, Gomez and Helmsing 2010, Helmsing and Knorringa 2008)). On the other hand, there is an increasing trend of private sector organisations and individuals who have become more civic-oriented ((Fowler 2011, Helmsing and Knorringa 2008, Nicholls 2011, Elkington and Hartigan 2008, Knorringa and Helmsing 2008)). Social enterprises (SEs) have increased in number and importance for international development, as organisations whose primary purpose is addressing social or environmental issues, but in a financially sustainable and independent way (Nicholls 2011).

Some of these SEs are transformations of civil society organisations moving towards the market (Fowler 2000b, Gomez and Helmsing 2010, Helmsing and Knorringa 2008), others have their origin in private sector organisations and socially engaged individuals (Knorringa and Helmsing 2008), and others are brand new ventures with a hybrid nature that have a double or triple bottom-line (Elkington and Hartigan 2008). Although there is no consensus regarding the definition of the social enterprise (Barrera Duque 2007, Ferri 2011, Alter 2004), in this paper I stick to the “Anglo-Saxon” view of social entrepreneurship, and define SEs as organisations that address social and environmental problems by engaging in the market and, thus, operating in a financially sustainable and independent way (Alter 2004).¹

Various studies have pointed out the shift of NGOs towards a more market orientation. Over a decade ago, Fowler (2000b) and Bebbington (1997) were already talking about possible strategies for NGOs to pursue their development goals beyond aid. One of those alternatives was social entrepreneurship, seen as the creation of economic surpluses for tackling social problems (Fowler 2000b: p. 645). On a note different than the use of the market for cross-subsidisation of social programs, Helmsing & Knorringa (2008) have shown how Dutch NGOs are more active both in building markets and participating in them as a result of an evolutionary process through their interactions with private actors. Gomez and Helmsing (2010) later added to these two dimensions that development NGOs are also addressing income poverty by engaging in the provision of public services (partially or fully charging user fees), lobbying for changes in market institutions, and channelling private philanthropy.

¹ Other definitions of Social Entrepreneurship will be discussed in Chapter 3.

Fewer studies have been done on social entrepreneurship in The Netherlands. A recent study by McKinsey (2011) revealed that there are approximately 4000-5000 social enterprises in total in The Netherlands, active mainly in the fields of: biosystems, cleantech, economic development, civic engagement, health and education (McKinsey & Company and Verloop 2011: p. 5). This study paints a broad picture of the whole sector (including SEs working domestically and in issues different than enterprise development and poverty reduction), but there is still much to uncover about the SE sector, and especially regarding those SEs that work in international development in the fields of interest of this study. Nicholls (2011), for example, says that SEs might provide an opportunity for partnering with civil society. Others, like Fowler (2000b), might feel that social entrepreneurship is more an option for NGOs under financial stress to shift towards becoming or creating SEs to survive. No matter the attention that the topics of social entrepreneurship and NGOs have received over the years, there is room, still, for further research.

This research paper sets out to typify and compare SE and NGO actors in The Netherlands, active in income poverty reduction at the international level, and to analyse how (if) new trends of social entrepreneurship are helping create linkages between activities of market building and actual participation in markets, two main fields of work in enterprise development initiatives. Furthermore, it is important to say that this research does not set out to assess the performance of these NGOs and SEs or to compare their successes or failures, thus taking a neutral position in the debate between the effectiveness of different sectors in development practice.

This paper will be divided into six chapters, including the present introduction, which will also explain the research objectives and methodology. The second chapter provides a historical recount on development NGOs and SEs. Chapter 3 will provide the conceptual and analytical frameworks for the research and the following two chapters will present the results. The first of these two chapters (Chapter 4) will present the general results from the interviews and the analysis of texts in the form of a typology of SEs and NGOs. The second one (Chapter 5) will analyse how actors in international development are bridging the gap between market building and market participation, to go from experimental (pilot) entrepreneurship projects to actual market-proof interventions. The last chapter will present the main conclusions of the paper and recommendations for future research and for actors in the development field.

1.1 Research Objectives and Questions

Social enterprises are a new actor in international development, and although much attention has been given to defining and studying them, this has not led to a consensual definition amongst researchers and practitioners in the development field. We know that they are a hybrid type of organisation, which can take many forms and undertake various activities through diverse business models (Elkington and Hartigan 2008), attributes that only add to the difficulty of characterizing them. Although some steps have been taken towards

mapping the Dutch Social Enterprise sector (McKinsey & Company and Verloop 2011), there is still room for further research.

This research paper has two main objectives. The first is to create a typology of SEs and NGOs active in poverty reduction at the international level that allows us to see differences and similarities between the two sets of actors. We compare these two actors based on: a) the main drivers that gave origin to them, b) the business models that they use, c) their legal forms and d) the fields of action that they engage in. The second objective is to see how (if) SEs and NGOs are (jointly) finding ways to link market building activities, which address systemic market failures, with actual market participation, to submitting local initiatives to the rules of the market. The second objective builds on the first. With this in mind, the following research questions and subsequent secondary questions have been drafted.

Research Question

1. What are the differences and similarities between Social Enterprises and NGOs active in poverty reduction and enterprise development at the international level?
2. (How) is social entrepreneurship facilitating the process of creating links between building markets and participating in them for international development cooperation?

Secondary Questions

Re 1. How are SEs and NGOs similar/different in terms of their:

- Origins,
- Business models
- Legal forms, and
- Fields of action?

Re 2. If there are scenarios being created to link market building with market participation, then:

- What types of organisations are aiding in the creation of these links?
- What kind of interaction is there between SEs and NGOs for building this gap?
- Where are linkage scenarios still required?

1.2 Methodology

This study was carried out in The Netherlands, focusing on Dutch Social Enterprises and NGOs that work in international development, specifically in the areas of enterprise development and income poverty reduction.

Before starting to describe the methodology, it is important to mention that this research paper benefitted from on-going research on Social Entrepreneurship in The Netherlands that is being conducted by Professors A.H.J. (Bert) Helmsing and Peter Knorringa, both from the Institute of Social

Studies. The main objective of their research is to map the ways in which social entrepreneurs engage in activities of enterprise development and poverty reduction in developing countries. For this, they have decided to interview approximately 50 social entrepreneurs that have been identified using social media (i.e. LinkedIn and the BiD Network) and through “snow-balling.”

I was engaged during the initial stages of this project, as research assistant, in order to conduct and process a first set of interviews to relevant social entrepreneurs in The Netherlands.² This first set consisted of 28 interviews over a 10 week period, of which 26 of those interviews will be used in this paper, as explained in the first Annex of this document. As a part of the collaboration agreement, I was given the permission to use the information gathered through the interviews for the purposes of this research paper.³ Most of the social entrepreneurs that collaborated in this research are either directors and/or founders of SEs, but others are linked with NGOs and looking for ways to become more financially independent.

As a result, from the 26 interviews used in this research, 21 correspond to social enterprises (as will be defined in Chapter 3) and the remaining 5 to NGOs that are being run by social entrepreneurs that decide to work under a leveraged non-profit business model (Elkington and Hartigan 2008), some of which are moving towards becoming more engaged in the market and less dependent on government subsidies and donations.

Since the number of NGOs was rather small, an additional 11 NGOs were added to the sample. These NGOs were identified using mainly the Central Bureau for Fundraising (CBF) register and the NGO database developed by the Centre for International Development Issues Nijmegen (CIDIN) of Radboud University. The criteria used to choose these NGOs was, for the first part, their international orientation and their focus on poverty reduction and enterprise development.⁴ Additionally, these NGOs should have at least 70% of their total yearly income derived from government subsidies and donations. To determine this, financial information from the CBF website was used.⁵

² Annex I provides a list of the people interviewed and Annex II shows the entire questionnaire.

³ The codification and interpretation of the results of these interviews have been my own.

⁴ A number of the NGOs considered in this study were also included in a previous paper by Helmsing and Knorringa (2008) on development NGOs and their involvement of private sector actors in enterprise development interventions. Some were also mentioned as strategic partners by some of the social entrepreneurs that were interviewed for this research.

⁵ The dependence on government subsidies and donations was calculated by using the data displayed under the labels “*Subsidies van overheden*” (Government subsidies and “*Giften en schenkingen, donaties en contributies*” (Gifts and donations, donations and contributions) in the CBF website. Since information in this way was not available for all the NGOs for the year 2011, information for that year was filled in using the Annual Reports. “*Subsidies from government*” was still used in the same way, but to

The information for these remaining NGOs was gathered through the analysis of existing texts (i.e. annual reports, strategic papers and information on the official websites of the organisations) and from the CBF register, which provides information on the NGOs' incomes and expenditures, as well as additional general information on the organisations' objectives, size (number of employees) and date of registration as legal entities.

The size of the sample might not appear to be broad, but after interviews with the social entrepreneurs, experts in the matter and researching different online tools (such as the CBF website and the CIDIN register on NGOs), it became clearer that this sample is at least illustrative, if not representative, of Dutch NGOs and SEs working in international development, in the areas of enterprise development and poverty reduction.

Grounded Theory Method

The intention of this research paper is two-fold. A first part makes a comparison between SEs and NGOs working in international development, using a theoretical framework that builds on pre-existing work on SEs and NGOs. A second part addresses the question of how (if) NGOs and SEs are creating scenarios to bridge the gap between market building activities and market participation. Although social entrepreneurship has gained relevance in the academic world in recent years, there has not yet been a study done on this specific topic. Therefore, instead of concentrating on proving pre-existing theories, this study intends to analyse the data found in the interviews conducted with social entrepreneurs and in the annual reports of the NGOs to answer this second question.

The Grounded theory (GT) method allows this to happen, as the researcher constructs hypotheses from the data itself. The GT method was developed by sociologists Barney G. Glaser and Anselm L. Strauss in the 1960s (Charmaz 2006). Developing theory through the analysis of data, rather than drawing hypothesis from pre-existing theories was the response that they gave to the rising hegemony of quantitative, positivist approach to research. Opposite from the "scientific method" used in positivism, GT allows the researcher to interpret and analyse meanings in rich qualitative data (Ibid.).

As will be explained in Chapter 3 of this paper, there is quite some work that has already done characterizing NGOs and SEs (not both in the same study) in terms of business models (Elkington and Hartigan 2008), fields of

indicate *Donations*, the label "Income from own fundraising" was used, since it was the easiest way to estimate from the Annual reports. Income from fundraising includes "Gifts and donations," plus inheritances, mail actions, collections and the sale of private lotteries, etc. However, "gifts and donations" still represents the major part of income form own fundraising for all the NGOs included in the sample, making it a good proxy.

action of NGOs close to the market (Gomez and Helmsing 2010, Helmsing and Knorringa 2008) and organisational and legal forms of social entrepreneurship (Alter 2004). These advances in the field provide an excellent conceptual framework from which to start to group and codify the information contained both in the interviews and in the texts used. However, the link between this typology and the question at hand, I believe, are embedded in the data itself. Therefore, this paper combines the elaboration of a typology of organisations working in international development, by using pre-existing theories and concepts, and the GT method for identifying the possibilities and conditions necessary for partnerships and collaboration to be established between SEs and traditional NGOs.

1.3 Methodological limitations and ethical challenges

- Selecting the universe: Identifying the universe of Social Enterprises was especially difficult because of the blurry lines between SEs and NGOs, and between SEs and businesses that are socially/environmentally responsible, but whose main purpose is maximizing profits. The fact that there is no regulatory framework in The Netherlands to legally constitute a SE makes it even harder. We find SEs that are constituted as BVs (Limited companies), Stichtings (Non-profit Foundations) and others with a dual legal constitution (BV + Foundation).
 - E.g. we contacted over 50 different organisations, of which 28 were interviewed. 2 of these 28 were not included as they are, in fact, socially responsible businesses, and another 5 were actually included as NGOs in the sample. From those that we did not interview, 3 claimed that they did not consider themselves to be SEs and declined participation in the study, another 3 refused to participate because of time constraints and other reasons, and 14 did not reply. At least four of those appear to have gone out of business. Another 3 did reply and were willing to cooperate and until the 31st August they were pending confirmation to be interviewed (for the on-going research).
- Working with extant texts (texts that were not addressing the researchers' questions and which the researcher did not influence in any way): Working with extant texts can be useful, but it has its limitations (Charmaz 2006). The amount reported and the way it is reported (unit of analysis, structure, etc.) varies broadly between organisations. Because of this, the way of capturing the information had to be sufficiently flexible and broad that it was easy to categorize and create notes to compare and contrast, but also deep enough that it allowed to induce hypotheses and theories.
- There is a risk that the sample is not representative of the totality of Dutch SEs and NGOs active in international development, specifically in the areas of enterprise development and income poverty reduction.

However, even McKinsey in their study had a hard time quantifying the whole universe of social enterprises, and given that definitions vary, every study is bound to have different results. I feel confident enough that the sample (21 SEs and 16 NGOs) provides an illustrative, if not representative, sample, that is sufficient for the purposes of this paper. A good indicator of this is the fact that in the end the process of snowballing stagnated, as our interviewees referred us to social entrepreneurs that we had already contacted.

- There is little literature written on this subject and, therefore, it will be difficult to triangulate information collected.
- As the field work was be part of an on-going research project, interviews were recorded, which might have intimidated some of the interviewees in some of their responses. This is always a limitation to consider when doing interviews, but hopefully does not influence so much the results of this particular study, as it is not a very delicate subject.

Chapter 2

Background

The term “Non-Governmental Organisation” was formally introduced after the Second World War, to refer to non-government organisations that formed part of the newly-created Economic and Social Council of the United Nations (Fowler 2011). In the last two decades, after the fall of the Berlin Wall, there has been an extraordinary increase in NGOs, both in terms of size and influence (Ronalds 2010). This rapid growth was associated to greater availability of funds from official donors and a shrinking role of governments throughout the globe, which led to privatisation and an active role of NGOs as implementers of government programmes.

Even before the 1990s, Northern NGOs had already started to become dependent on official donors. By the end of the 1980s, it was becoming evident that “the dependence of the NGO development sector on ODA is [was] undergoing a phenomenal increase, far above the economic growth rates of their countries” (Fowler 1991: p. 7). This trend continued throughout a greater part of the 1990s (Fowler 2000b) and the beginning of the XXI century, especially because of the negative effects of the financial crises on private philanthropy (Nicholls 2011).⁶ As privatisation became a central part of the system, efficiency and sustainability became central to official donors, and the paradigm of New Public Management also permeated the third sector. The development sector was then subject to issues of accountability from the part of the donors (both private and governmental), and in search of financial independence throughout the use of market mechanisms (Fowler 2000b, Dees 1998a). This led to an increasing trend in social entrepreneurship (Nicholls 2011).

Besides becoming more market oriented as a result of budget reductions and a search for financial independence (Fowler 2000b, Dees 1998a), NGOs engaged in the market as a consequence of an evolutionary process whereby NGOs have vastly learned from partnerships with governments and private sector actors (Gomez and Helmsing 2010), and also as a recognition of the possibilities that the market brings for achieving structural change (Helmsing and Knorringa 2008). The idea of development NGOs acting mainly as “intermediaries between resource providers and those in populations whose ill-being justifies the organisation’s existence” (Fowler 2011: p. 43) has been

⁶ According to the Giving in The Netherlands 2011 Report, private donations have stabilized in The Netherlands despite the financial crisis (Schuyt et al. 2011). It is also worth mentioning that the percentage of donations to income is relatively low in The Netherlands, as traditionally the Dutch contribute to charity mainly through tax payments that are later on transformed into official development aid and other transfer mechanisms.

changing, especially as NGOs become more market oriented and start participating in the market.

At the same time, and partly as a consequence of changes in the NGO sector, SEs have risen as a new actor in international development. This has happened because of a wide variety of reasons. Nicholls (2011) has identified four main drivers for social entrepreneurship, concretely for the last two decades: i) an increased demand for innovative social and environmental action (awareness), ii) new technologies and global connectedness, iii) political drivers, which refer to the redefined role of the state and the private sector (after Structural Adjustment Programs and the Washington Consensus), and iv) rapid growth of civil-society organisations mixed with a decline in the available funding (Nicholls 2011). This last driver is linked to the above-mentioned trend whereby NGOs become more market oriented as a result of financial pressures. Furthermore, Knorringa and Helmsing (2008) point out a new role of private sector actors in development. New forms of private philanthropy are arising, beyond monetary donations and Corporate Social Responsibility. Private individuals, in part thanks to globalisation and interconnectedness, are actively engaging in development by offering their expertise and skills, impact investing and creating useful networks. In conclusion, it is safe to say that SEs have emerged as a result of forces that have driven NGOs to become more market-oriented, and forces in the other direction that have driven the private sector towards the civic domain.

Although there are few places where social entrepreneurship has formally taken a legal form, there have been some attempts to map the field. The United Kingdom, for example has formalized a framework for Community Interest Companies, the United States has done the same with L3C organisations and Social Solidarity Cooperatives can be found in Italy and Portugal (Nicholls 2011). The Global Entrepreneurship Monitor survey has also tried to map social entrepreneurial activity in the United Kingdom, where there are between 109.000-230.000 social enterprises (Nicholls 2011), depending on the definition.

The particular case of the Dutch SE sector is yet to be unpacked. McKinsey and Company (2011) have carried out a study in which they estimate that there are between 4.000 and 5.000 SEs active in The Netherlands. This includes SEs working at a local level (not international) and SEs working in areas other than poverty reduction and enterprise development (e.g. Environmental issues or Civic Engagement). There is no way of saying how many SEs there are that meet the specific criteria of this study, also because they have included in their study a great number of “subsidy-dependent SEs” (defined as those receiving subsidies that constitute 25% or more of their income). The McKinsey report provides a good overview of the sector, and provides clear proof that SEs are growing in number and becoming more and more relevant as an actor in development. There is, however, much more to learn about this sector and the opportunities it brings for international development cooperation.

Chapter 3

Theoretical Framework

As explained in the methodological section of this paper, this research will make use of pre-existing literature on social entrepreneurship and the third sector in order to conceptualize and compare SEs and NGOs, and to answer how (if) social entrepreneurship has increased the creation of scenarios to link market building activities with participation in the market, two core fields of action of SEs and NGOs working in enterprise development. This chapter aims at clarifying the conceptual and analytical framework that will be used throughout this research paper.

The first point aims at defining the concepts of Social Enterprise and NGO that will be used in this paper. The second part will focus on explaining the concepts and tools that will be used to compare SEs and traditional NGOs in the main aspects of focus of this research: origins, business models, legal forms and fields of action. The concept of “bridging the gap” will also be discussed and the criteria for determining when organisations are creating scenarios for the gap to be reduced will be presented. In the end, a synthesis of the theoretical framework will be offered.

3.1 Defining Social Enterprise and NGO

Social Enterprises

Social entrepreneurship is a relatively recent field of study, even though social enterprises have existed for quite some time (Dees 1998b). However, the concept of social entrepreneurship is understood in different ways. Broadly speaking, one could distinguish two broad sets of definitions: i) the “European,” with its roots in the Social Economy framework and focusing more on cooperative-type enterprises in the third sector (Defourny and Nyssens 2006, Defourny and Borzaga 2001, Borzaga et al. 2008, Ramos and Martín 2001), ii) and a second one, referred to as the “Anglo-Saxon” (Ferri 2011), focusing on the *social entrepreneur* as the main unit of analysis, and characterized by the link with market mechanisms to address social and environmental issues (Nicholls 2011, Elkington and Hartigan 2008, McKinsey & Company and Verloop 2011).

In the first case, social enterprises are viewed as an alternative business model, which favours the interests of the community where it is set up, which in turn often participates in the organisation’s operations (C V Baxi 2010). The European Research Network (EMES) defines social enterprises as “organisations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits. Social enterprises also place a high value on their autonomy and on economic risk-taking related to ongoing socio-economic activity” (Defourny and Nyssens 2006: p. 5).

Although both sets of definitions seem to follow a similar direction in terms of using the market to reach social goals, three main differences can be identified:

- *Leadership* (or initiative): whereas the EMES framework requires that the nature of a SE has to come from collective or community dynamics, this does not have to be the case for SEs as understood in this paper. Social entrepreneurs, as characterized by Elkington and Hartigan (2008), are motivated by problems in the world systems. They are addressing global problems or potential challenges, and are therefore not necessarily embedded in the territory in which they operate.
- *Autonomy*: whereas for the first group autonomy refers only to the decision-making process, the second emphasizes the search for financial independence as well. Furthermore, this financial independence is attained mainly through trading in the market.
- *Profit-maximisation*: while the EMES framework is very emphatic on the avoidance of profit-maximisation behaviour, the definition adopted in this paper accepts the blended-value proposition, in which social, economic and environmental goals can be pursued at the same time. Thus, profit-maximisation, taking into consideration social and/or environmental parameters, is possible.

In summary, it can be said that the second context (Anglo-Saxon) is much broader and allows for the inclusion of enterprises that are closer to the traditional business sphere. This is important because of the focus of this research. Social enterprises that are working in the international arena, specifically addressing issues of the South, do not fit in the first context. Whereas in the first context SEs are seen at the crossroads between cooperatives and NGOs (Defourny and Nyssens 2006: p. 8), for the second set SEs occupy a broader spectrum between NGOs and the market, thus containing also cooperative-type organisations.

Definition of Social Enterprise used in this paper

According to Alter (2004), a social enterprise is:

“any business venture created for a social purpose –mitigating/ reducing a social problem or a market failure– and to generate social value while operating with the financial discipline, innovation and determination of a private sector business” (p. 12).

Furthermore, Social Enterprise UK proposes that “any social enterprise should:

- *Have a clear social and/ or environmental mission set out in their governing documents*
- *Generate the majority of their income through trade*
- *Reinvest the majority of their profits*
- *Be autonomous of state*
- *Be majority controlled in the interests of the social mission*
- *Be accountable and transparent” (Official website Social Enterprise UK)*

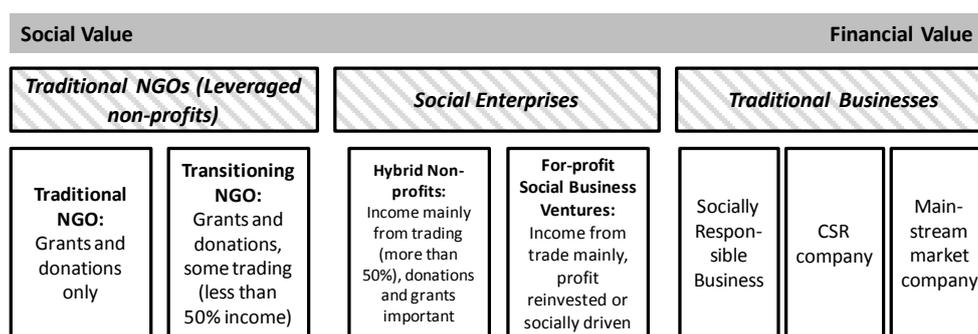
Non-Governmental Organisations

A broad definition of NGO refers to all organisations that are both non-governmental and non-profit. This, however, includes a wide variety of organisations, “including all kinds of clubs, work teams, associations, co-operatives, charities, campaigning groups and so on...” (Thomas 1992: p. 122). In this paper, however, the definition of NGO that we use is a much narrower one. For starters, we focus only on those NGOs that are considered “developmental,” and that work in the interest of other groups (not co-operative type organisations), namely local, regional or national groups in the international level. In this sense, the term is used in this context to denote “private non-profit agencies devoted to international aid and development assistance...” (Thomas 1992: p. 122).

The latter definition would be applicable to some SEs as well, as the legal form is not decisive for SEs and those working under a hybrid non-profit model (on the basis of subsidies and cost-recovery) would still be included in this group. There is, therefore, a need to set clearer criteria to distinguish between SEs and NGOs. The McKinsey (2011) report, for example, states a limit between the two based on the organisation’s dependence on government grants and private donations. According to this study, the SE realm starts with non-profits (socially oriented) that make at least 75% of their income through trade, and ends where corporate social responsibility (CSR) starts (profit oriented organisations with social programs). Alter (2004), on the other hand, sets the limit towards the private sector with so-called “socially responsible businesses.” The difference between SEs and this type of enterprises lies in the nature of their mission. Whereas SEs have a social and/or environmental primary goal (which can be blended with economic goals), for socially responsible businesses profit remains the main driver (not addressing a social problem). However, these private sector organisations do stick to codes of conduct and international labour and environmental standards and, thus, can have a great deal of impact.

Figure 1, below, is an attempt to differentiate between NGOs, SEs and for-profit actors that also have social impacts, but whose main purpose is not driving societal or environmental change.

Figure 1. Locating Social Enterprises and NGOs



Source: Own elaboration based on McKinsey (2011), Alter (2004) and Elkington and Hartigan (2008)

3.2 Providing a framework for analysis

Origins of the Organisations (Main drivers)

“The first important point to be made about Northern NGOs, therefore, is that they are *heterogeneous*, no two are the same, and all strive to maintain their individual identities” (Fowler 1991:p. 7). Fowler (1991) argues that the origins of Northern NGOs are a major source of diversity. There is a strong link between origin (initial motivation) and an organisation’s identity or, to put it in Fowler’s (1991) terms, their “character and agendas.” After making these statements, the author then attempts to list a number of factors that have influenced the creation of NGOs in the North, such as⁷:

- Political affiliations: NGOs rooted from political parties or movements.
- Social, cultural and religious structures: Similar to the above, these are NGOs that reflect major social structures in a country.
- Promotion of (national) values: NGOs promote western values (e.g. human rights, rule of law, democracy, fair trade, etc.)
- Ideological identification: NGOs created “in a particular ideological imperative” (Fowler 1991: p. 8). They are, for example, activist groups working against apartheid, regional conflicts, etc.
- Issues: NGOs address specific issues, like access to electricity, education and health, or environmental issues.
- Personal identifications and institutional similarities: NGOs created as a response of potential “twin” organisations in the South.
- Market: This last one refers to the specific point in time in which this article was written. In the early 1990s there were increasing resources made available to NGOs and the private sector was on the rise as a consequence of privatisation strategies. This is not the case anymore, but as we have seen in Chapter 2, changes in the

⁷ Taken from Fowler (1991: p.7-9).

political and economic arenas have had influence on the actors working in international development.

From the SE side, on the other hand, the main drivers seem to be the following, based on Nicholls (2011):

- Crises: can be seen as “issues” discussed above. This driver includes climate change, migration, health pandemics, etc.
- Technological and organisational innovations: Global interconnectedness and new ways to deal with issues (i.e. improvements in ICT, energy solutions, etc.) create a new context filled with opportunities.
- Political and economic drivers: Similar to Fowler (1991) discussed above, Nicholls (2011) discusses the effects of the worldwide spread of neo-liberalism on civil society. Although he agrees that the initial effect was a rise in number and size of NGOs, this ultimately resulted in greater dependence of NGOs on official donors and, after the financial crises, a further pressure towards diversifying funding and engaging in profit-making opportunities.

As a matter of synthesis, we take from the above that there are 5 possible drivers or factors⁸ (often a mix of these) that give origin to NGOs and SEs. These are:

1. **Social structures:** containing “political affiliations” and “social, cultural and religious structures”, explained above
2. **Ideology:** containing “promotion of values” and “ideological identification”, explained above.
3. **Issues and personal experiences:** leaders or founders are focused on a specific issue or have a personal interest or relationship with the area or local partners.
4. **Technological Innovations:** explained above.
5. **New Private Philanthropy:** this is an added factor, identified by Knorringa and Helmsing (2008) and mentioned in the previous chapter. Private persons are doing more than just donating funds. New modalities in private philanthropy include sharing of expertise or impact investing. In this study, this type of philanthropy is considered a driver when it has helped the organisations at hand to be established, to grow, or to perform tasks that they would otherwise be unable to perform.

⁸ Economic factors relate specifically to trends, but it is difficult to link the availability (or lack of) funding with the origins of these organisations. The data simply does not allow this. It is evident that economic and political factors influence the arena, and for this we will discuss the strategies implemented by NGOs to deal with recent budget cuts.

Business models

The term “business model” is broadly used, and yet its definition is not consensually accepted (Osterwalder et al. 2005, Shafer et al. 2005). In this paper I take the definition by Shafer, which refers to a business model as “a representation of a firm's underlying core logic and strategic choices for creating and capturing value” (Shafer et al. 2005:p. 202). This definition appeals to this case because of the use of the concept of “value,” which is central to hybrid organisations working within the logic of blended-value creation. With this in mind, I propose to classify the organisations in terms of business models (Elkington and Hartigan 2008) and in terms of the financial resources tapped (in the case of SEs) and the strategies used to mitigate financial pressures (in the case of NGOs).

According to Elkington and Hartigan (2008), there are three models used by social entrepreneurs to finance their activities⁹:

1. **Leveraged non-profit venture:** This first model refers to traditional NGOs as defined in this paper.
2. **Hybrid Non-profit ventures:** They are supposed to be the most innovative of the 3. They are characterized by their aim to (partially) recover costs and their ability to mobilise multiple sources of finance.
3. **Social Business Ventures (SBV):** These are for-profits with social missions. As their mission is not economic, profits are generated, but aimed to increase social impact.

Several authors (Helmsing and Knorringa 2008, Nicholls 2011, Fowler 2000b, Dees 1998a) have highlighted the recent budgetary pressures that civil society organisations have been facing and their trend towards seeking alternative sources of funding. From the NGO side, then, it will be interesting to see if NGOs in The Netherlands have indeed faced these problems and (if so), how they are dealing with it.

Already in 1997, Anthony Bebbington proposed 2 different strategies that NGOs in the Andean Region could adopt in order to cope with financial pressures. The first had to do with turning into consultancy groups, and the second had to do with NGOs becoming social enterprises.¹⁰ The difference between the two was, basically, the client. In the first case, NGOs would become advisors or implementers of projects for governments or agencies,

⁹ Elkington and Hartigan (2008) also provide a list of the main resources that are tapped by social entrepreneurs. This list was used by Professors Helmsing and Knorringa for the design of their questionnaire and, thus, some of this data will also be used in this study.

¹⁰ In this study, social enterprises can take the form of consultancy groups (implementing development projects), but we will differentiate between consultancies and SEs as strategies for NGOs in order to have a clearer picture of the level of integration of the business model.

whereas the second one would require them to find ways of cost-recovery or profitable business models for their social services, directly with the target population (Bebbington 1997). Fowler (2000b) also talked about social entrepreneurship as a possibility for NGOs for cross-subsidizing their social programmes.

If NGOs are indeed taking steps in the direction of social entrepreneurship, as defined in this paper, then we could say that they are in a "Transition" phase. We will consider that NGOs are in transition when they have managed to reduce their dependence on government grants to less than 70% and/or have successfully adopted at least one of the strategies mentioned above (i.e. Consultancy, Social Entrepreneurship or Cross-subsidisation). The "success" of their strategies is not based on the reduction of the importance government funds (although it will be taken into account in the analysis), but on the actual implementation of the strategies mentioned. This last point is critical, and actual reduction of government dependence will also be checked, as to ensure that the measures listed are in fact taking place successfully. In this sense, an organisation that claims to be in the process of turning into a social enterprise must be taking steps in this direction and the financial statements must reflect this in a clear way.

Legal forms

Few countries have altered their legal frameworks to create a position for SEs. The Netherlands is not yet one of these and, therefore, the legal forms that SEs take are restricted to the traditional Limited Liability Company (BVs, from *Besloten Vennootschap* in Dutch) or the Foundation status (*Stichting* in Dutch). Alter (2004: p.53) states that the decision of SEs to adopt one or the other may be arbitrary, as the enterprise's legal structure is not definitive to determine how it operates or which business model it adopts.

The decision to adopt a non-profit or a for-profit legal status is driven by one or more of the following factors, according to Alter (2004):

1. **Legal or Regulatory environment:** the lack of recognition of the social enterprise status and lack of clarity of the regulatory framework influences the decisions. In the case of non-profits that want to engage in the market, they might feel threatened to lose their non-profit status by making profits. They might decide to change their status to for-profit (risking availability of subsidies and other resources) or to create an ad-hoc private company.
2. **Access to funding:** access to different types of capital depends on the legal form. For-profits are many times barred from receiving philanthropic funding, whereas non-profits have difficulty obtaining commercial funds.
3. **Capitalisation:** For-profits have the ability to raise equity investments, unlike non-profits. Some more mature non-profits might decide to change their legal status to capitalise the business.
4. **Leadership decision:** This is specific to SEs created by a non-profit parent organisation for the purpose of raising income. Leadership

may prefer to create a separate for-profit body in order to avoid tensions in culture.

Furthermore, it will be interesting to see how NGOs are managing their profit-making activities. Some authors believe that difficulties might surge when organisations mix logics (e.g. profit and social mission) (Battilana and Dorado 2010, Glynn 2000). According to Battilana (2010), differences exist between mixing logics in existing organisations and doing so in newly constituted ones. Glynn (2000), established that importing a new logic to a pre-existing organisation could generate cultural tensions within the organisations. An existing organisation might decide to create an external profit-making body in order to avoid these tensions, as explained by Alter (2004). A useful indicator can be the legal status that organisations adopt. Specifically, we want to see if profit-making activities induce changes in the organisations' legal structure for both SEs and NGOs.

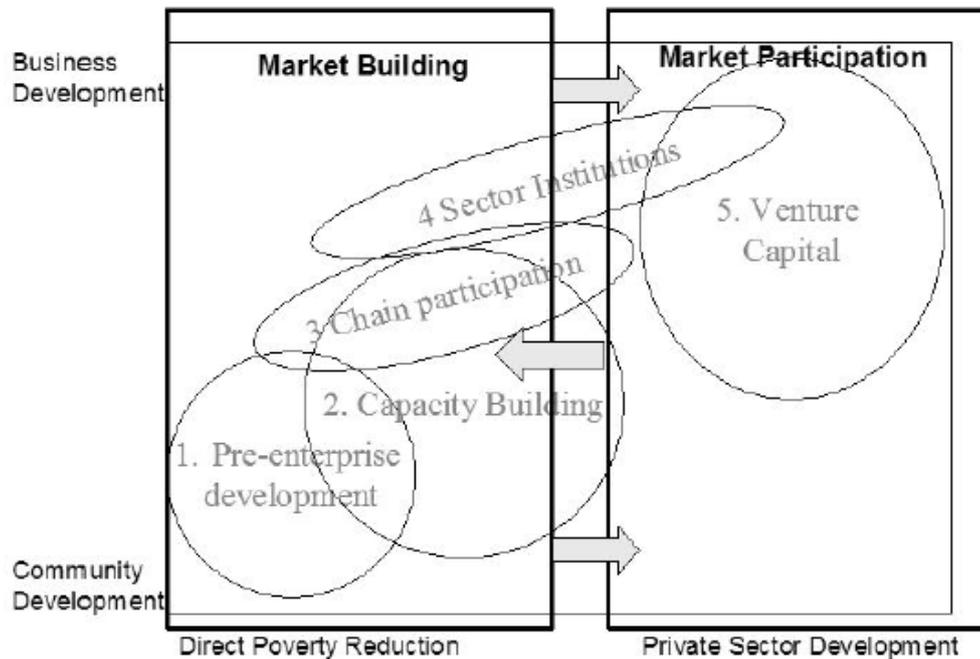
Fields of Action

Defining the fields of action of the actors working in international development is no easy task. If we limit ourselves to organisations working in poverty reduction, we find that there are five main fields of action, as proposed by Gomez and Helmsing (2010) in the study of NGOs at the intersection between civil society and the market. These five areas of action are:

1. **Resolving Systemic Market Failure (Building markets):** This area refers to NGOs as institution-builders where markets fail to
2. **Participation in Imperfect Markets:** NGOs might become participants in the economy themselves, by providing Business Development Services, microfinance, or other enterprise development services.
3. **Reducing Government Failure (Delivery of Services):** This refers to the incursion of NGOs in the provision of basic services, which are usually the responsibility of the government (e.g. Health, Education, etc.).
4. **Regulatory Reform (Lobby and Advocacy):** Many NGOs are acting as part of the private governance sphere, by developing and legitimizing their own standards and labels in areas like the environment, labour, CSR, etc.
5. **Channelling growth in Philanthropy.** NGOs run business-like projects for charity donations.

In terms of enterprise development, Helmsing and Knorringa (2008) sustained that NGOs working in close relationship with private sector actors were mainly engaging in two different activities: Market building and Market participation. The following figure, taken directly from their paper, is an attempt to show the lack of existing scenarios for connecting "market building" with "market participation." They go on to state that NGOs have mainly focused on the first of these activities, while newer NGO/Private Sector hybrids have been engaging in the second field since their start.

Figure 2. Market Building and Market Participation



Source: Helmsing and Knorringa (2008)

Bridging the Gap: guaranteeing sustainability of constructed markets

As explained above, two core fields of action of NGOs and SEs working in enterprise development for international development cooperation have been “Market Building” and “Market Participation.” The first centres on the idea of making the markets work by eliminating systemic failures. This can be done in various ways, but as illustrated by the above figure, the main areas of work revolve around capacity building, value chain inclusion, and creating or managing institutions to improve the conditions for entrepreneurs (e.g. cutting the red tape). The second field includes the participation of NGOs or SEs in the market by, for example, providing BDS, venture capital or acting as intermediaries between the market and the local enterprises (as trading companies). Bridging the gap between these two fields means going from NGOs engaging in pilot projects, to subjecting these projects to the rules of the market to guarantee their sustainability. It means engaging in more dangerous pursuits where risk is an issue beyond “success or failure” of a project.

These two processes, however, had been taking place in separate instances, by different actors or in different sectors. Helmsing and Knorringa (2008) have identified that a challenge for NGOs working in international development “would be to reduce or close the gap between NGOs engaged in market building and those that participate in markets. This would be one area in which the increased involvement of private sector actors can really make a difference” (p. 122). Furthermore, they claim that “more interaction between them would bring significant benefits” (Ibid.).

Therefore, to say that the gap is being bridged, two conditions have to be met:

1. SEs or NGOs are engaging in activities of market building. In other words, they are building the capacity of local firms, individuals or collective organisations; setting the ground for better business practices (creating or influencing the necessary sector institutions); or enabling or enhancing participation in value chains. Furthermore, they are not charging the principle beneficiaries for these services.

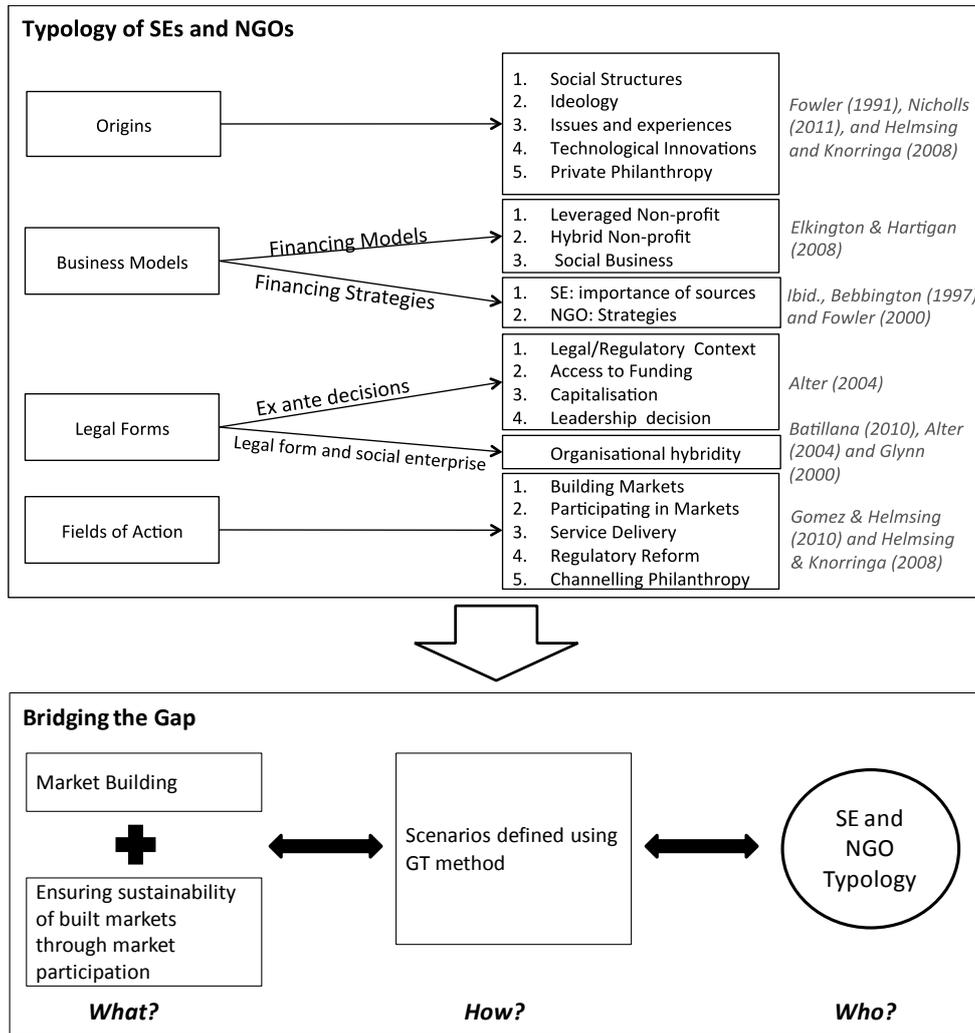
2. The same firms, industries or individuals that benefit from the above-mentioned services are effectively introduced to market mechanisms in which monetary failure is possible and success is guaranteed only through financial sustainability of all the stakeholders. Examples are: Venture capital or microfinance for SMEs, intermediary services (e.g. fair trade companies that buy produce to sell in another market or that take products in consignment and charge a fee for these services), or SEs (and NGOs) that deliver basic services and use local entrepreneurs as distributors or producers.

Through the use of the GT method, we will attempt to identify scenarios that explain how SEs and NGOs are attempting to bridge this gap.

3.3 Synthesis of the Analytical Framework

The following figure summarizes the analytical framework for this paper. As mentioned in the first chapter, this study will attempt to first create a typology of Dutch SEs and NGOs working in enterprise development and direct poverty alleviation at the international level and then attempt to answer the question of how (if) the actors in this field are bridging the gap between market building and market participation. Findings from the first section will be used to answer the second question.

Figure 3. Synthesis of the Analytical Framework



Source: Own elaboration

Chapter 4

...Of Social Enterprises and Development NGOs

This chapter presents a summary of the main results related to the differences and similarities between NGOs and SEs working in international development.¹¹ In doing so, it first gives a general overview of the sample, followed by a typology of SEs and NGOs. This typology begins by attempting to identify the main drivers that give origin to NGOs and SEs, followed by a differentiation between business models and financial strategies of the organisations. From the discussion on the business models we will proceed to looking at the legal forms and fields of action. We will use this typology to address the main objective of this research, which is to identify how social entrepreneurship has helped in the creation of scenarios where market building meets market participation for enterprise development.

4.1 General characteristics of the sample

¹¹ Annex III presents the data gathered and used to present the findings.

Table 1 provides an overview of the organisations that were considered in this study. In this table we can see that most of the SEs that were interviewed are young (18 out of the 21), whereas only a few NGOs have been established for a period shorter than 10 years. This suggests that SEs are indeed a somewhat new phenomenon as explained by Nicholls (2011). In terms of size, taking the number of employees (in Full Time Employees) as an indicator, we find that the SEs considered in this study tend to be small organisations (and none are large). In contrast, we have NGOs of all kinds of sizes: 4 large organisations, 5 medium-sized and 7 small ones¹². Lastly, we can see in the table that SEs can take any legal form, as there is no regulatory framework for this sector in The Netherlands. NGOs are all set up as foundations, although some have created private for-profits over the years, for different reasons that will be discussed later on. The reasons for choosing to be a BV (limited company), a Foundation or a combination of both will be analysed in the following sections.

¹² Note: Data on employees is provided in FTEs for the majority of cases. In a few cases for NGOs it was not available on the CBF website or the annual reports, so the absolute number of employees was taken in those cases.

Table 1. General characteristics of the organisations included in the study

Type Organization	SE	NGO	Total
<i>History - Duration</i>			
Young (<10 yrs)	18	3	21
Established (10-39 yrs)	2	10	12
Well Established (>40 yrs)	1	3	4
<i>Size (by # employees)</i>			
Small (<20 employees)	18	7	25
Medium (20-100)	3	5	8
Large (>100 employees)	0	4	4
<i>Legal Forms</i>			
BV	11	0	11
Stichting	6	11	17
Both	4	5	9
Total	21	16	37

Source: Own elaboration based on interviews, annual reports and CBF organisational data.

4.2 Origins of NGOs and SEs: different drivers, different outcomes

Attempting to decipher the main drivers that give origin to specific organisations is not an easy task. Fowler (1991) presented a list of possible factors associated with the conception of NGOs, which we have complemented with work by Nicholls (2011) and Knorringa and Helmsing (2008), in order to include factors that have influenced the rise of SEs. In this section we explore how these drivers relate to the specific organisations taken into account in this study of the Dutch international development sector.

Table 2, below, presents a summary of the main findings. In general terms, one could say that Dutch NGOs have their origins in concrete social structures, ideologies and address specific issues. Typical issues addressed by these NGOs are access to microfinance and basic services (i.e. education, health and nutrition), or building resilience of individuals in regions of high potential risk. Technological and new forms of private philanthropy, however, have not been decisive as driving forces for traditional non-profits.

On the other hand, it is interesting to see that SEs are generally created to address particular issues or based on a pre-existing relationship with local NGOs, companies or individuals. Some typical issues that SEs are addressing are access to electricity in rural areas and venture capital for the “missing middle.” SEs that are driven by a particular ideology are mainly those working in fair trade, guided by the motto: “not trade, but aid” (this is actually Fair Trade Original’s motto).

More interesting, however, is the impact that new technologies and new forms of private philanthropy have had on the creation of development organisations with a clear market orientation. Many SEs have been created to address specific issues through the market, and they are able to do it thanks to

technological advances in particular fields and places. This is the case of those SEs (and also some NGOs) working in the energy sector, or using ICT (in particular social media) for development purposes. RIWIK and SolarNow bring energy to rural areas making use of high-tech, eVA Fund brings equity investments to African companies in the fast-growing ICT sector, and BiD Network, VC4 Africa and Pifworld make use of “Facebook-like” web-based platforms to create communities of entrepreneurs, experts, donors and investors. This last point, combined with the new engagement of private individuals in development has triggered the ability of organisations to build profitable social businesses.

Table 2. Main drivers associated with the origin of NGOs and SEs¹³

Type Organisation	Social Structures	Ideology	Issues	Technology	Private Philanthropy
NGO	4	6	9	4	1
SE	1	6	16	9	10
Total	5	12	25	13	11

Source: Own elaboration based on Annual Reports, strategy papers and interviews.

As we will see later on, the fact that so many of these new SEs are driven by technological advances and philanthropic innovations (and especially a mixture of the two) has been decisive in terms of their scope of action. Leveraged by experienced volunteers and aided by new technologies, they are able to immerse themselves in areas of market building, where only NGOs and governments dared to go in past years.

4.3 The dynamism of business models in the development sector

This section will begin by categorizing the organisations into the three business models presented by Elkington and Hartigan (2008). Afterwards, the financing strategies of both NGOs and SEs will be discussed. The first will revolve around the strategies used by NGOs to deal with present budget cuts, and the second around the importance of the main sources of finance tapped by SEs.

Based on the interviews held, most SEs have opted for a for-profit SBV model (16 out of 21), with only 5 associating with the hybrid non-profit model. Logically, the 16 NGOs are all using a leveraged non-profit model, as per our definition of NGO. The goal is, then, to determine if these NGOs are transitioning into one of the options discussed by Bebbington (1997) and Fowler (2000b) or remaining dependent on government funds and donations. To do this, I have gone through the financial statements and the annual reports

¹³ More than one option applies for a given organisation.

of these organisations¹⁴ trying to determine two things: i) if they mention the budget cuts in their reports and ii) if the strategies implemented are aiming towards a transition towards consultancy or social entrepreneurship. Of course, some organisations have been moving towards social entrepreneurship for other reasons, and they will also be acknowledged.

Out of the 16 NGOs, only 3 did not refer at all to cuts in the governmental budget for international development cooperation. These three organisations (Care Nederland, ICS and SPARK) have in common that they are relatively small in terms of budget (less than 15 Million euro for 2011), although established (in duration) in the development arena.

Another three do mention budget cuts and strategies to overcome them, but they are either not participating in the market, or they have not yet started implementing the strategies. These three organisations are: Agriterra (with 96% dependence on government for 2007 and 2011), IICD, and ActionAid. IICD have set themselves the mission of finding a new business model, specifically one that is more profit-oriented (IICD 2012). However, there is no clear indication that they have started shifting in this direction and, in fact, their dependence on government funds has increased. The case of ActionAid is somewhat opposite, as they have indeed managed to decrease their dependence on government, but this responds to organisational changes, as the Netherlands Institute for Southern Africa (NiZA) became part of a larger international NGO (ActionAid) and pretends to leverage from this position to diversify donor funds.

The following table (

¹⁴ That is, without counting the 5 NGOs that I have interviewed as part of the Social Entrepreneurship project.

Table 3) provides detailed information about the level of dependence of NGOs on government grants and on donations for the years 2007 and 2011.¹⁵

¹⁵ Data for the 1%Club, FairMatch Support and Energy Solutions for Humanity was not available on CBF or annual reports. The analysis of these three organisations is based on the interviews held with the organisations' directors.

Table 3. Government Subsidies and Donations as a Percentage of Total Income, 2007 and 2011

NGO	2007			2011		
	Government Donations	G+D		Government Donations	G + D	
AGRITERRA[1]	96%	1%	97%	96%	0%	96%
CARE NEDERLAND	86%	6%	93%	81%	18%	100%
CORDAID	73%	21%	94%	46%	34%	79%
FRES	19%	81%	100%	3%	52%	56%
GOEDE WAAR[2]	65%	30%	95%	30%	70%	100%
HIVOS	94%	1%	95%	91%	2%	93%
ICCO	94%	0%	94%	89%	0%	89%
ICS	62%	30%	93%	79%	17%	96%
IICD	76%	24%	100%	97%	1%	99%
ACTIONAID (NIZA)	83%	5%	89%	72%	20%	92%
OXFAM	67%	15%	81%	51%	21%	73%
SOLIDARIDAD	52%	29%	81%	59%	31%	90%
SPARK	85%	14%	100%	98%	1%	100%

Source: CBF and Annual Reports.

The above analysis leaves us with 10 remaining organisations that have employed strategies to become independent from subsidies. The following table (Table 4) summarizes the strategies used by NGOs to reduce the effects of government cuts and to prepare for the future. Besides the three options enumerated in the Theoretical Framework, based on Bebbington (1997) and Fowler (2000b), three other strategies appear to be recurrent. One is diversifying the donor base by investing in fundraising activities with the private sector and looking for additional government grants besides the traditional MFS¹⁶. Another strategy is accepting the effects of the cuts and adjusting the organisation to the new reality. This option is referred to as taking “Managerial Decisions.” NGOs decide to scale down operations, fire personnel or decentralize the organisation to make it more efficient. The third strategy that goes beyond contemplating self-financing through the market is that of “Adopting a Programmatic Approach.” This could be seen as a managerial decision, but we highlight it because it is a step taken by many organisations in transition. According to several annual reports, taking a programmatic approach allows NGOs to better access institutional funding, by having clearer lines of action that also allow them to participate in tenders. In other words, by taking this step, they are forcing themselves to specialize, thus complying with the demands of donor agencies that are putting their projects out to tender (see Cordaid’s Annual Report 2011).

¹⁶ MFS (I and II) are the grant frameworks used by the Ministry of Development Cooperation in The Netherlands for Dutch Civil Society working in the area of poverty alleviation. It is also the main subsidy given to the majority of NGOs included in this study.

Table 4. Strategies used by NGOs for dealing with budget cuts¹⁷

Strategies	Count
Diversifying Grants and Donations	8
Managerial Decisions	6
Adopt a Programmatic approach	4
Self-Finance through Market	6
Consultancy	4
Social Entrepreneurship	1
External Cross-subsidization	1

Source: Own elaboration, based on Annual Reports, Strategy Papers and interviews

From the above table we can deduce that diversifying grants and donations has been a popular strategy adopted by the Dutch NGOs. However, it is also interesting that aiming at self-finance or cost recovery through the market has also taken an important position. Five organisations adopted this strategy as a means to mitigate the effects of the budget cuts (1%Club has additionally created an external advisory firm). The most popular choice is moving from NGO to consultancy firm. The organisations in this segment have either adopted a programmatic approach, or are highly specialized in terms of the services that they provide (i.e. they have a single programme). Examples of these organisations are Cordaid and ICCO, two of the large co-financing organisations in The Netherlands. Cordaid has decisively stated that they are in the process of becoming a SE in their latest annual report. Responding to an increasing trend whereby donor agencies put their projects out to tender, Cordaid has adopted a programmatic approach and is filling the gap left by a decrease in the MFS subsidy by participating in these tenders.

On the other hand, ICCO has decided to become an “Entrepreneurial Innovator.” According to them, this “will involve adopting a different approach with a smaller focus on funding, on building capacity and on policy influencing and with a bigger focus on creating strategic coalitions and supporting innovators and entrepreneurial people/organisations” (ICCO 2012: p.15). ICCO is becoming a strategic financier, and grants are making place for other financial modalities such as loans, guarantees and participations. They have created Fair & Sustainable Holding BV, which handles advisory services and participations in companies. For example, they are shareholders of Unseen Products, one of the SEs that make part of this study, and which focuses on high-end designer products that are fair trade.

The other organisation engaging in Social Entrepreneurship as a means to reduce dependency is Goede Waar. They have continued to deliver the same service that they have in the past 25 years (a ranking of enterprises’ sustainability in the garments industry). However, they have recently brought in

¹⁷ Based on the 13 NGOs that made reference to government budget cuts in their latest Annual Reports.

a new director, with a more entrepreneurial background and who has shifted their way of looking at donors, to a client-based approach. They realized that the same methodology they use could be expanded to reach a wider crowd, thus enlarging their client base. They are also using new technologies to deliver a more user-friendly product, by developing a mobile application.

There are still, however, another five organisations that can be considered to be in a transition phase, or an intermediate state, as they have engaged in the market since before the budget cuts or for different reasons that do not respond to a financial strategy. They are, in a way, a clear demonstration that Gomez and Helmsing (2010) were right to say that the market orientation of NGOs did not respond only to financial pressure on this sector, but also a result of an evolutionary process and of strategic decisions from their part. These organisations are: Oxfam Novib, Hivos, FRES, Solidaridad and Energy Solutions for Humanity. They can be divided into two blocks: i) those who were dependent on government and have gradually taken steps in other directions and ii) those who have never been truly dependent on government and have since their beginnings had market participation at their core. The first are well-established organisations and the second are much younger.

The first two organisations mentioned in the previous paragraph constitute the first of these two blocks. These organisations have both created social enterprises (Triple Jump BV, and Hivos-Triodos Fund and Triodos Sustainable Trade Fund, respectively) and have also recently adopted a programmatic approach to access institutional funding. Institutional donors, as mentioned by Cordaid, are increasingly putting their projects out to tender, a condition that is forcing these organisations to participate in the market (in competition). Oxfam has reduced its dependency on governments and donations also by receiving income from the interests of their loans (Oxfam Novib's Business Plan 2011-2015). On the other hand, Hivos has established in their Business Plan 2011-2015 that it increases its finances through private capital funding through the Noord-Zuid Spaar - en Borgstellingrekening, resources that are managed by Triodos Bank and lent to the Hivos-Triodos Fund.

Even though the other three have not openly set the objective to become independent from subsidies and donations, we consider them as "transitioning," as they have opted for a model in which the market plays a key role. The Foundation Rural Energy Services (FRES) has been mainly funded by private donors and, somewhat, by the government. They use the money they get to create private enterprises in developing countries, which deliver energy services in rural areas. Their idea is to subsidize the initial investments and then let the companies become sustainable through a fee-for-service model. This takes time, but as the companies grow in number and in size, their income also grows, in a way that they might be able to subsidize other companies through their profits (as seen in their Annual Report 2011). Similarly, Energy Solutions for Humanity are setting up local firms with local entrepreneurs and a local NGO for the production and distribution of wind turbines. They are in the start-up phase, but the idea is the same.

The third and last case is quite interesting, as it links directly with the idea of "bridging the gap" that will be discussed in the next chapter. Solidaridad

supports farmers, miners and manufacturers to produce in a sustainable manner. Besides aiding in capacity building and certification processes, they have been actively involved in the commercialisation of the products of the groups they support. They were founders of AgroFair BV, a fair trade company importing and exporting fruits and vegetables, and also Kuyichi BV, a similar company in the garments industry. By creating these companies they ensure a demand for the markets they help build, and by running things through business rules, they are able to create profits that return to the original producers (as described in the definition of SBV model).

The following table sums up the business models used by SEs and NGOs, taking into consideration those that have taken social entrepreneurship (including consultancies) as a financial and strategic choice.

Table 5. Business Models of SEs and NGOs

Model	NGO	SE	Total
Traditional	6	0	6
Transitioning	10	0	10
Hybrid Non profit	0	5	5
Social Business Venture	0	16	16

Source: Own elaboration, based on Annual Reports, Strategy papers and interviews

We continue the analysis of the business models by taking a look at the importance of certain sources of finance for SEs. We know, by definition, that the market is a major source of finance for these organisations (sales, fees, interests, returns on investment, etc.), but it is particularly interesting to analyse the importance of “charitable” sources (i.e. Government, Private Philanthropy and Foundations) in contrast to “commercial” sources of funding (i.e. Angel Investors, Loans, Venture Capital, Selling out) for the different types of SE¹⁸.

As expected from the description made by Elkington and Hartigan (2008), charitable (or “soft”) resources are more important for those SEs working under a hybrid non-profit model than for those under a SBV model, on average. However, it is interesting that there seem to be two types of SVBs: those that stick strictly to the market, and those that are more open to non-market sources of funding. The following table shows this, by looking at the importance of the two types of funding for SEs.¹⁹

¹⁸ Annex II shows the details of the questionnaire used, which includes the survey on the importance of the different sources of funding.

¹⁹ This table was done by counting the maximum level of importance found on each source for the different SEs.

Table 6. Importance of Sources of Funding for SEs, by business model

Maximum Importance of Source of Funding	Charitable Sources			Commercial Sources		
	Hybrid	SBV	SE	Hybrid	SBV	SE
1= Very Unimportant	0	3	3	3	2	5
2= Unimportant	0	4	4	0	1	1
3= Not Important or Unimportant	0	1	1	2	2	4
4= Important	0	2	2	0	0	0
5= Very Important	5	6	11	0	11	11
Total	5	16	21	5	16	21

Source: Own elaboration, based on interviews

When we take a closer look at the organisations, we find that those that have been open to the charitable resources have found it crucial for reaching the scale necessary to become sustainable. The BiD Network is an excellent example of an organisation for which government funds have been crucial in allowing them to upscale. They started out as a traditional NGO with a leveraged non-profit model, and quickly transformed into a SE, first with as a hybrid non-profit, and recently aiming at the SBV model. In 2007 they were 80% government funded, whereas in 2011 subsidies dropped to 25%, according to financial data in the CBF website. In 2011 they incorporated BiDx BV, a limited company co-owned by the BiD Network Foundation, with the purpose of running a for-profit online platform for linking entrepreneurs and investors. Additionally, they are thinking about adding one other company to the picture, which would work on leveraging financial investments for SMEs (BiD Network 2012: p. 8). They are a SBV for which subsidies were (and continue to be, to a lesser extent) very important, as they participate in activities of market building in partnership with SPARK, one of the traditional NGOs working in enterprise development. This will be expanded in the next chapter.

The case of SolarNow BV is similar. They, too, used to be a traditional NGO, with subsidies making up 100% of their income. Currently, however, they are set up as a limited company and are doing things through the market. Government funds are no longer very important, but were crucial for many years as they created the conditions for the market to work and in the start-up phase of the BV. Their model is very interesting because they recognised that the problem could be fixed by combining microfinance with the delivery of energy services. Their participation in the market, however, was facilitated by the fact that they had already built a market in their area of influence and had reached a certain scale (as they had grown their network of local distributors). There are other similar cases in which subsidies and donations were important to reach a relevant scale, such as NICE International or VC4 Africa.

However, the interviews also allowed us to observe that charitable funding can also be a means to explore new fields of action or place more emphasis on less profitable pursuits, like market building. This will be further explained in the analysis of the fields of action (section 0). Examples of this include the above-mentioned BiD Network, Fair Trade Original and the hybrid non-profits. These organisations have found ways to address systemic market failure, an area that has been closer to the NGO sector and that is generally considered as less profitable.

To conclude this long section, we highlight the most important findings. The first would be that SEs seem to gradually move towards a SBV model. Although some have found themselves as hybrid non-profits, their aim is to remain as independent as possible from subsidies. Having said that, it is important to recognise the fact that government grants and other charitable sources of finance have been important for aiding SEs reach scale and explore different fields of action.

On the other hand, NGOs are also finding new ways to steer their organisations. There are a few who remain completely dependent on government funds, but the vast majority has taken steps towards social entrepreneurship. The most recurrent strategy has been to become consultancy groups, especially as project implementers for institutional donors. A clear tendency that backs up this theory is the tendency towards specializing and adopting a programmatic approach. The specific sectors in which they have ventured in the form of social entrepreneurship will be explained in Chapter 5.

4.4 Legal forms: never judge a book by its cover

In the McKinsey (2011) report on social entrepreneurship in The Netherlands, one of the main challenges identified by SEs was the lack of regulatory framework for the sector. To start with, there is no legal form for a social enterprise and choosing between constituting a private limited company (BV) or a non-profit foundation carries trade-offs that the entrepreneurs themselves discussed during the interviews. Limited companies have a harder time accessing private donations, as they donors do not benefit from tax discounts, unlike what happens in the case of foundations holding an ANBI status. On the other hand, foundations are barred from raising capital, a situation that limits their ability to upscale by attracting equity investments. Some have tried solving this problem by adopting a combined legal status (BV + Foundation), but this has generally resulted in legal problems with the tax office, as there is no clarity as to how to handle taxation on profits and investments with grant money. All of these issues, however, come *ex post*, after the legal decisions have been made.

So, why or how do these entrepreneurs decide, *ex ante*, on one legal form or another? Alter (2004) provides a number of reasons why social enterprises might be constituted in either form, which have been discussed in Chapter 3. However, the rationale behind the choices of the entrepreneurs interviewed for this study appears to be much simpler: it depends on the past experiences of the entrepreneurs and their familiarity with the sector. The people that they know, the funds they expect to attract, and in general the arenas they feel most comfortable in have much more weight in the initial decision-making than technical reasons.

BeMore is one example of how *ex ante* decisions are based on familiarity of the entrepreneur with the sector. This SE is set up as a Foundation, but works more as a business (they do not have subsidies or donations). They decided on taking this legal form because it was familiar at the time. Newer companies set up by the same social entrepreneur have been set up as BVs and in his own

statement he regrets not having started this SE as a private company because transforming now would carry bureaucratic costs.

Pifworld was created as a BV because of the closeness of the entrepreneur to the financial sector. They later decided to add a foundation to the organisation to solve a regulatory problem concerning the transfers of money to foreign accounts through the BV. Now that they have solved this problem, they have decided to keep the BV only. They found it a lot easier to attract capital than subsidies or donations since the beginning, because the entrepreneur had a background in financial markets.

A similar story is shared by the venture capital firms: SOVEC, eVA Fund, TBL Mirror Fund and VC4 Africa (this last one does not invest, but facilitates investments through an online platform). Of these SEs, only SOVEC decided to create a foundation alongside the BV, to try to solve the problems of attracting different sources of funding. To their surprise, however, most people that collaborated wanted to invest the money and get a return (not donate).

RIWIK is an example of how the experiences influenced, but in a backwards sense. The entrepreneur only had work experience in the NGO sector before starting his company. However, during this time he realized that if bringing energy to rural Kenya was to work, they had to do it in a "sustainable manner" (through the market). Furthermore, they saw the opportunity to work with local entrepreneurs who could benefit from their knowledge and reputation (just the fact that they could use the brand name of a Dutch Company would solve many market failures due to lack of trust on local produce). Their decision had to do with the way NGOs are seen at the local level in Africa (as "money-givers") and the not so positive experience that the entrepreneur had had working for an NGO.

Table 7 illustrates the importance of charitable and commercial sources of funding for SEs by legal form. As explained by Alter (2004), most Foundations seem to find commercial sources relatively unimportant, whereas charitable sources seem much more relevant for them. Surprisingly, however, there is no clear relationship between the source of funding tapped and the legal form, in the case of limited companies. Roughly half of the sample finds charitable resources unimportant, while the other half finds them very important. The same happens in the case of commercial resources. This finding is consistent with what was found in the previous section in terms of SBVs dividing into two blocks: those closer to commercial funds and those closer to the civic realm. Those that have a combined legal form tend to explore both sets of sources.²⁰

²⁰ The only SE that did not find charitable resources to be as important is Pifworld, but we have already mentioned that they are getting rid of the Foundation, as they have found a way to channel funds directly through the BV to the charities abroad.

Table 7. Importance of Charitable and Commercial Funding for SEs, by legal form

Maximum Importance of Source of Funding	Charitable Sources			Commercial Sources		
	Both	BV	Foundation	Both	BV	Foundation
1= Very Unimportant	1	2	0	0	3	2
2= Unimportant	0	3	1	0	0	1
3= Not Important or Unimportant	0	0	1	1	2	1
4= Important	1	0	1	0	0	0
5= Very Important	2	6	3	3	6	2
Total	4	11	6	4	11	6

Source: Own elaboration, based on interviews

In terms of managing multiple logics (i.e. social mission and profit-making), we can conclude that evidently NGOs have preferred to create external bodies, rather than creating new dependencies within their organisations. In Table 1 presented at the beginning of this Chapter we can see that out of the ten transitioning NGOs, five have created external limited companies and 2 more have created external foundations. SEs, on the other hand, appear to have successfully managed the contrasting logics, if we look at the low number of SEs with a combined legal status (4) and, above all, if we consider the low relationship between legal forms and business models.

4.5 Fields of action

In 2008, Helmsing and Knorrunga studied how the involvement of private sector actors in international development cooperation had influenced Dutch NGOs. Amongst other things, they found that despite a tendency of NGOs adopting a market orientation, few are in fact participating in the market to address problems derived from imperfect markets, leaving this role to younger NGOs and hybrid organisations. Table 8 shows that this is indeed the case if we compare NGOs and SEs working in international development.

Table 8. Fields of Action of SEs and NGOs²¹

Organisation	Market Building	Market Participation	Provision of Services	Regulation of Markets	Channelling Philanthropy
SE	12	20	3	3	3
NGO	14	7	5	8	2
Total	26	27	8	11	5

Source: Own elaboration, based on interviews and official documents (annual reports and strategy papers).

Nonetheless, Table 8 also shows us something rather "unexpected," and that is that more than half of the SEs that were interviewed have also taken part in market building activities. Furthermore, this number (12 out of 21) suggests that not only hybrid non-profits are entering this field of action, but also for-profit social businesses. The explanation for this was hinted in the previous sections, and relates to the role of charitable sources of finance. At

²¹ Multiple possible answers for a given organisation

least in The Netherlands, hybrid non-profits and SVBs that combine commercial and non-commercial financial sources are typically those that also address systemic market failures. Examples of these organisations are: BoP Innovation Center or Pure Jute, from the hybrid non-profit side, and Fair Trade Original or BiD Network, from the SVB sphere.

BoP Innovation Center, for example, designs and promotes strategies so that private sector actors can enter Bottom of the Pyramid (BoP) markets in developing countries. Local people, who indirectly benefit from their work, are seen as clients (of the private sector), producers and entrepreneurs that are involved in the whole process. The core of their work is helping build the conditions for complex markets to work, and for this they use subsidies. The director was emphatic in pointing out that what they do is quite innovative, and like any enterprise that innovates, resources for Research and Development (R&D) are required. In other countries, like the US, resources for R&D generally come from the private sector, but in the case of The Netherlands the public sector has traditionally been involved.

Other SEs, like Butterfly-Works and the BiD Network, have engaged in formal partnerships with larger NGOs, a condition that has allowed them to access MFS II resources. These SEs are also engaged in market building, in cooperation with these NGOs that possess local networks and knowledge. As we will see in the next chapter, these organisations have been part of those who have managed to bridge the gap between market building and market participation. Butterfly-Works co-owns the companies that it helps create with local entrepreneurs, whereas the BiD Network links potential entrepreneurs with experts who volunteer their skills and with potential ethical investors.

On the other hand, organisations like Fair Trade Original have commented on how subsidies, in the past, have allowed them to work more on market building, even if this is not their main area of interest. Specifically, they mentioned how government grants allowed them to build the capacity of local trading companies, which eliminated costs of dealing with individual producers and the risks associated to possible supplier failure. The local enterprises have become more professional as a result, something that has aided them as their products are now entering more mainstream markets.

Only one SE is not considered to be involved in market participation, and that is Fresh Food Technology. They are a private company that focuses on eliminating the “middle-man” in the agricultural sector, to increase the market share of local producers. They are, in a way, like a typical NGO, except they are a company and are trying to prove that their entrepreneurial approach is more efficient and more cost-effective, so that they are able to make profits by competing for funds with regular NGOs.

SEs that are only participating in the market are mainly Venture Capital firms. These firms, generally, remain distant from charitable sources of finance and rely on commercial sources of finance, as well as close networks of family and friends. Their relationship with the NGO sector is generally quite limited, if not inexistent, according to the interviewees. This distance from the NGOs and their fields of action can be related to the past experiences of the entrepreneurs and their ability to remain completely independent from government funding. These social entrepreneurs have been successful in their

past experiences in the financial sector and are generally able to raise the necessary working capital without the need to tap charitable sources of finance.

NGOs, on the other hand and as mentioned earlier, have definitely focused more on market building. However, it is interesting to see that many are also addressing imperfect markets by participating in them by offering business development, financial and intermediary (trading) services. A deeper look at the specific areas of work reveals three interesting findings. For the first part, NGOs have ventured into participating in the market mainly in the area of financial services, specifically micro-finance. This is an area that for long has been “amenable” to non-profits, as has been the case of many Latin American NGOs venturing into the market (Bebbington 1997, Battilana and Dorado 2010). Of the 7 NGOs addressing imperfect markets by participating in them, 4 are in fact working in the financial sector: Cordaid, Oxfam Novib, ICCO and Hivos. The 4 large co-financing bodies of The Netherlands find access to finance as the backbone of their entrepreneurial projects and all, except ICCO, focus mainly on microfinance. The focus, however, has changed in recent years from providing microfinance to their target populations, to constructing and enabling microfinance institutions (through market and non-market mechanisms). ICCO, on the other hand, has been more interested in becoming a “strategic financier,” providing loans and participations in companies with a social orientation.

The second finding of interest is the fact that fair trade appears to be taken a position similar to that of microfinance in the earlier days. At first it was only Solidaridad who ventured into the market by creating trading companies in the garments and fruits industries. Now, Hivos has announced the creation of the Triodos Sustainable Trade Fund, which aims at building a bridge between the supported entrepreneurs and the market. At the same time, ICCO, with its Fair & Sustainable Holding BV has also focused on promoting the creation and growth of social businesses and fair trade is clearly an area of importance. The fact that they are shareholders of Unseen Products and have had contacts with Pure Jute, as explained by the director of this SE, are clear indications that this is the type of initiatives they want to promote.

The third and last finding is that all of these NGOs that have engaged in market participation have done so through external bodies that they have constituted (at times in partnership with a private sector actor, like the case of the Hivos-Triodos Funds). In other words, the only engagement in the market that these organisations have had has been in the form of tender participations for market building activities, as explained in section 4.3.

In a broader context than that of enterprise development, Gomez and Helmsing (2010) identified that besides addressing systemic market failures and imperfect markets, NGOs were also becoming more market oriented by delivering basic services that governments and markets failed to provide, engaging in civic regulation of markets and channelling private philanthropy. As one might have expected, advocacy and lobbying has remained primarily a topic of NGOs, which is consistent to what was previously seen in terms of the origins of NGOs and SEs. NGOs that follow a certain ideology or

represent a particular social structure generally have a moral position and assume their more political roles. SEs, on the other hand, generally do not take this moral stance, and only in a few cases appear to be attempting to influence market regulations, mainly by promoting or advocating for the implementation of new labels or certificates.

Chapter 5

Bridging the Gap: from building markets to participating in them

This chapter addresses the question of how (if) social entrepreneurship has resulted in an increased interaction between market building and market participation on the part of international development actors. Through the use of the GT method, three scenarios have been identified:

1. **Partnerships²²:** Many SEs have partnered with NGOs and are managing (together) to engage in market building activities that result in their active economic participation. We define partnerships as “voluntary and collaborative arrangements between actors from two or more sectors of society that have an institutionalized, yet nonhierarchic structure and strive for a sustainability goal” (Bitzer et al. 2008: p. 271). The view taken here refers to the Resource Dependence Platform for analysing partnerships, which revolves under the idea that organisations partner with each other in order to *complement* their actions (Selsky and Parker 2005).
2. **Crossing boundaries:** Some SEs and NGOs are managing to bridge the gap by themselves. Literature on cross-sector partnerships to address social issues proposes a theoretical platform that differs from the above-mentioned in that it assumes that as part of an evolutionary process, the boundaries between sectors has been blurred, and instead of complementarities we talk about possible *substitutions* (Selsky and Parker 2005)..
3. **Building pillars (setting the foundations):** Some SEs and NGOs are not bridging the gap themselves, but are setting up the pillars to support these bridges.

Before beginning the analysis, it is important to highlight that the fact that many SEs and NGOs are working both in market building and market participation does not necessarily mean that they are bridging the gap between these two fields of action. A clear relationship between the markets that are being built and the areas of participation of the NGO or SE must exist in order to consider a bridge being constructed. BeMore, for example, builds the capacity of local NGOs by setting up volunteer programmes. They also participate in the market by organizing “fair tourism” packages with local entrepreneurs that may (not) have relation to the NGOs. In this case there are

²² We only consider those partnerships that result in long-term, official cooperation agreements between two (or more) actors, in which each has its own responsibility. Informal collaborations are not taken into account.

no scenarios being built to link the supported local organisations with the market.²³

Partnering to bridge the gap

There are 6 organisations from the sample that are partnering to bridge the gap (2 SEs and 4 NGOs). Of the SEs, one works with a hybrid non-profit model and the other has shifted towards the SBV model. The three NGOs are, according to our previous analysis, in a transitioning phase. This section will introduce the three partnerships and attempt to identify the roles played by the different types of actors.

BiD Network and SPARK have initiated the United Entrepreneurship Coalition (UEC) to promote entrepreneurial activity in post-conflict zones. The programme aims at building the capacity of local organisations that support entrepreneurs (i.e. Chambers of Commerce, Microfinance Institutions, Vocational Training Organisations, etc.) and influencing policy for “cutting the red tape,” thus creating employment opportunities. As explained in BiD Network’s official website, the “program also delivers direct support to entrepreneurs through the BiD Network online platform that gives them access to international coaching and to a network of investors.” In this way, the NGO focuses its efforts on market building through the fulfillment of the two objectives explained above, and BiD Network complements this by allowing capacity building of the entrepreneurs through their network of volunteers and links it with market participation through the delivery of specialized services and networking opportunities with potential investors.

Butterfly-Works, Oxfam Novib and 1%Club have also engaged in the IMPACT alliance, as part of the MFS II programme. As explained by members of Butterfly-Works and 1%Club, Oxfam Novib plays a different role than the one SPARK plays in the above alliance. Instead of directly building markets, Oxfam Novib connects Butterfly-Works (or 1%Club) with local partners and potential beneficiaries. They are active in the selection and monitoring processes, but let the SE implement the project. Butterfly-Works co-designs products with local producers and engage in the marketing of these products, thus having a direct stake on the performance of the enterprises they help build. 1%Club, on the other hand, provides a platform where locals can present their project objectives and results, and create a link with volunteers and donors. There is no clear relationship between 1%Club and Butterfly-Works, except the fact that they are in the same partnership, where Oxfam Novib is the main player and coordinator.

²³ Another example is Pifworld, whose NGO clients are also beneficiaries of the money they help channel through their platform. Pifworld helps set up CSR strategies in companies and channel private philanthropy to support NGO projects at the local level. At the same time, they offer services (for a fee) to NGOs for building online communities. The activities in which these NGOs engage are unrelated to the services that Pifworld offers on a fee-for-service basis.

Hivos and the Triodos Bank have also engaged in a partnership that has lasted more than 15 years. Although the Triodos Bank was not included in our sample, it is an important international SE based in The Netherlands. For the past three decades they have practiced “sustainable banking,” providing finance only to companies and organisations that add social and environmental value. Together they work mainly in building the capacity of microfinance institutions and providing commercial loans and participations, as explained in the previous chapter. As stated in Hivos’ business plan 2011-2015, they have decided to expand their fields of work to support energy generation and trade in agricultural products through the Hivos-Triodos partnership. Hivos has acquired a broad network and industry-related knowledge that is complemented by specific knowledge of Triodos in the financial sector.

To conclude, we can see that partnerships are never the same. Whereas in some partnerships the role of the NGO is very active, in others the role might be less so, sticking to supervisory and networking roles. The division of labour between SEs and NGOs can be based on sector-specific knowledge (e.g. financial vs. agricultural) or on a field of action basis (i.e. market building vs. market participation). It can also be that SEs become implementers of NGO programmes (like the case of Butterfly-Works) and then take over when the business meets the market. Something that has facilitated this is the adoption of a programmatic approach from the part of the NGOs. One lesson highlighted by (2000a) when analysing partnerships was that NGOs should “adopt an organisational not project focus. Partnership is about gaining a deep organisational relationship, which is not a 'project'” (Fowler 2000a: p. 10).

Individually bridging the gap

A few SEs and NGOs have managed to individually build links between market building and market participation. Nine organisations of the sample are actually finding ways to do this (5 SEs and 4 NGOs). In the paragraphs that follow I will attempt to show who they are and how they are managing to bridge the gap. I will do so by grouping the organisations in terms of the services that they provide.

The first group is that of the service providers. It consists of a SE with a SBV model, a transitioning NGO and a former NGO that turned into a SE, also with a SBV model (in order: RIWIK, Energy Solutions for Humanity, and SolarNow). All of them have had to set up a supply chain and work with local entrepreneurs for the delivery or production of energy services, through the use of new technologies. RIWIK has worked only on the basis of commercial funds and have found it difficult to become profitable and to deliver services to their target population because of the high initial investment costs. On the other hand, the NGO is only in the setting-up stage, as they build a supply chain and train local entrepreneurs for the production of wind-turbines. They have not yet constituted the social enterprise that will sell the turbines (which will be partly owned by them and the entrepreneurs). On the other hand, SolarNow has got some lesson to teach these younger organisations. For almost a decade, SolarNow (former Rural Energy Foundation) engaged in market-building activities, for which government subsidies were of absolute importance. Nowadays, SolarNow runs a company that combines micro-

finance with the delivery of solar home systems through a network of local dealers that they created when they were a foundation.

The second group is that of the trading companies. Fair Trade Original, Pure Jute and Solidaridad constitute this group. As explained in the previous chapters, these organisations are able to build the capacity of local producers/trading companies, mainly thanks to charitable sources of financing and trading become a crucial part of their programmes as it guarantees their sustainability. SEs focused on trading and NGOs focused on specific product development have the necessary incentives to work on their counterpart field of action. The first might benefit from lower transaction costs, less risk of supplier failure and more competitive products, while the second ensure that their projects go from being experiments or pilots, to be actual local economic development initiatives.

The third group is that of the microfinance institutions. This point has been mentioned before so we will not go into too much detail. As a backbone of many of the economic development programmes of NGOs, lies microfinance. There has been a shift from becoming microfinance providers to becoming microfinance initiators, thus supporting the creation and expansion of microfinance institutions in developing countries. Oxfam Novib (through Triple Jump BV) and Cordaid (through its multiple funds) aim at building the capacity and further expansion of microfinance institutions, first through charitable donations and then through paid extension services, participations and semi-commercial loans.

The BiD Network, mentioned in the previous section, also leverages from a solid volunteer base and an internet-based platform to build the capacity of would-be entrepreneurs. However, in order for entrepreneurs to enter their network, some qualifications have to be met. Their selection processes make it so that some potential entrepreneurs are left out. They have proposed some NGOs take over at this point, thus enlarging the bridge that they have helped build between the enterprises and angel investors.

This section showed how several NGOs and SEs are managing to bridge the gap between market building and market participation. We highlight the importance of charitable sources of funding, technology and new forms of private philanthropy for allowing this. We also highlight the persistence of NGOs bridging this gap through a familiar route: that of microfinance. SEs attempting to build markets for delivering services should consider the importance of initial capital and local networks, which can be obtained by being closer to civil-society.

Setting the foundations for the bridge

BoP Innovation Center has engaged in projects aimed at setting up the conditions for market actors to deliver goods and services for the bottom of the pyramid. These projects are financed by both private sector and NGOs, and they additionally receive subsidies from governments.

Similarly, FairMatch Support is also assuming an analogous role by working on enhancing value chains in a way that benefits all the participants. By searching market opportunities and introducing innovative products or

systems, FairMatch Support works with all the stakeholders in global value chains to improve everyone's conditions. Like BoP Innovation Center, they do not participate in the market, besides providing advisory services, and are funded by governments, NGOs and the private sector. This allows them to remain a neutral actor in the eyes of the chain participants and to have a legitimate role as chain developers.

The organisations engaged in this form of gap bridging are highly specialized intermediary actors. They differ from the rest in that they focus on building markets, but for a clearly determined market actor. In other words, to a certain extent their activities ensure market participation from the part of a third actor that will ultimately benefit a selected target group (through the provision of goods and services). The selection of these groups, therefore, is not in their hands, but they are merely providing a link between them and the market. They hold a place in-between governments, NGOs and the private sector, and they should remain like this for legitimacy issues, as explained by the director of FairMatch Support. Furthermore, their sources of finance should reflect this neutral or multi-dimensional status.

Chapter 6

Conclusions

The Social Enterprise sector has been growing in the last few decades, and is becoming an important new actor in the development field (Nicholls 2011, McKinsey & Company and Verloop 2011). This paper set out to identify differences and similarities between SEs and NGOs, by focusing on those working in the areas of poverty reduction and enterprise development at the international level. A typology was constructed for this purpose, characterising the actors in terms of their origins, business models and financing strategies, decisions on legal forms and fields of action. This typology also served the purpose of identifying how (if) SEs and NGOs are being able to bridge the gap between market building activities and market participation, two main fields of action in enterprise development.

In terms of the origins, we saw how SEs are mainly created to address particular issues, such as the problem of the “missing middle” in the African entrepreneurship sector or (the lack of) rural energy systems. Interestingly, they are also driven by new technologies and new forms of private philanthropy, two factors which (combined) allow SEs to venture into fields of action that have traditionally pertained to non-market actors. NGOs, on the other hand, generally represent social structures in The Netherlands and relate to ideological imperatives, a condition that more often than not requires them to take a moral position and advocate for changes in (market) regulations.

In the case of business models, we have seen that there is a clear tendency towards profit-making from the part of SEs, and towards some kind of social entrepreneurship from the part of NGOs. SEs are adopting a for-profit Social Business Venture model, as explained by Elkington and Hartigan (2008), either from the begin, or as a result of years leveraging from charitable sources to reach a certain scale that allowed them to become profitable. However, their decision to become a SBV does not necessarily mean that they limit themselves to working on the basis of commercial sources of funding. We found that some SEs are more open to charitable sources of funding, while others remain closer to the market. This has serious implications in terms of the ability of SEs to engage in market building and to relate to NGOs for building the gap between market building and market participation, two main fields of action of organisations working in the area of interest of this study. Openness to charitable resources generally means that these organisations are able to help bridge this gap, either by themselves, in partnership with NGOs, or as adopting an intermediary position and setting the foundations for market actors and NGOs to do so.

On the part of NGOs, on the other hand, we have seen that although all work under a leveraged non-profit model (Elkington and Hartigan 2008), most are transitioning into social entrepreneurship in one way or another. From the alternatives given by Bebbington (1997) and Fowler (2000b), the most appealing to NGOs to solvent their financial pressures is that of transitioning into a consultancy. This makes sense, as they continue to work in their main

areas of expertise (market building), but by implementing projects for institutional donors that are putting their projects out to tender. This last trend has forced many to adopt a programmatic approach, something that might also be beneficial for engaging in stable, healthy partnerships (Fowler 2009). Furthermore, we confirmed that many NGOs have successfully engaged in market participation, not as a financial strategy, but as a strategic decision and part of an evolutionary process, as described by Gomez and Helmsing (2010). However, they have done so mainly in the microfinance sector and, only recently, also in fair trade of agricultural products.

The main finding in terms of the decisions regarding legal forms is that social entrepreneurs appear to decide whether to constitute a limited company or a foundation based on their past experiences, familiarity and affinity with the sector, and not based on the business model they will adopt, regulations or financial strategies. Consequently, SEs come in different shapes and forms that do not necessarily reflect the type of business model that they adopt or the kind of fields of actions that they explore. A brief analysis of the legal forms of NGOs, on the other hand, revealed that most of those NGOs engaging in the market have created new organisations. This can be seen as an indicator of how leaders in this sector might decide to keep the profit-making logic distant from the social logic of the organisation, as discussed by Alter (2004). It can also be related to the origins of these organisations, which represent social structures and ideologies that might make it difficult to incorporate the profit-making body as a part of the organisation.

Many of the findings related to the fields of action have already been mentioned in the above paragraphs. We have found that indeed, as stated by Helmsing and Knorrinda (2008), market building appears to be the main field of focus for NGOs. Conversely, SEs are generally more focused on market participation, although curiously both actors have been crossing these boundaries more often and in more areas. NGOs are mainly focusing on access to microfinance, by going from simple capacity building and donations for microfinance institutions to market-based loans and participations. There are some indications that NGOs are also venturing in other spheres, particularly fair trade, like the case of Solidaridad and more recently Hivos. SEs, on the other hand, participate in the market through the provision of several services. SEs that only participate in markets are mainly those involved in venture capital, while others make use of new technologies, charitable resources and new forms of private philanthropy to engage in market building as well. Furthermore, it appears that limiting to market participation is something that SEs that are closer to the market are doing and, thus, there are few links with civic-oriented actors. Some SEs, like the BiD Network and VC4 Africa are providing tools that might help connect these two actors to better bridge the gap between market building activities and access to venture capital.

Using the GT method we have determined that there are at least three ways in which SEs and NGOs are bridging the gap between market building and market participation: i) by engaging in partnerships, ii) individually engaging in both fields of action, and iii) by setting the foundations for other actors to participate in markets that they help create. If we take a look only at the numbers of how many SEs and NGOs are bridging the gap between

market building market participation, it would appear that the limit between them has become blurrier. However, the areas in which they venture still appear to be different and partnerships prove that there is still sector-specific knowledge and other assets (local networks, lobby-capacity, and other expertise) that induce complementarity instead of substitution between the two actors. NGOs continue to be a crucial partner (especially for companies constituted as for-profit) because of issues of trust and the values that they represent. SEs and NGOs that bridge the gap by themselves often rely on charitable resources, new technologies and/or private philanthropy to accomplish their goals. Finally, those NGOs and SEs that are helping set the foundations for bridging the gap are highly specialized intermediary actors. They hold a place between governments, NGOs and private sector actors, and that allows them to remain as neutral and legitimate actors, and their sources of finance reflect this position.

We conclude that although there is a blurry line between these two sets of actors, in general terms, they appear to have more opportunities for complementarity than for substitution, given their origins, expertise and fields of action. Although many SEs have shown the pre-disposition to engage in activities closer to the civic realm and NGOs in areas of the market, there are still opportunities for further linkage. SEs working mainly with commercial sources of funding appear, in general, like distant and independent players and there is a lot that they could learn from NGOs and vice-versa. NGOs that rely heavily on government subsidies, on the other hand, should think about venturing into the market, or partnering with SEs or other actors participating in the market to ensure the sustainability of their actions, especially taking into account the demands of institutional donors that have become more entrepreneurial and concerned in the sustainability of the projects that they fund.

References

- ActionAid (2012) 'ActionAid Netherlands Strategy 2012-2017', pp. 1-11. The Netherlands: ActionAid.
- Agriterra (2011) 'Farmers Fighting Poverty - the Strength of being Organised. Activity Report 2007-2010', pp. 1- 179. Arnhem, The Netherlands: Agriterra.
- Alter, K. (2004) 'Social Enterprise Typology', *Virtue Ventures LLC* .
- Barrera Duque, E. (2007) 'La Empresa Social y Su Responsabilidad Social', *Innovar.Revista de Ciencias Administrativas y Sociales* (030): 59-75.
- Battilana, J. and S. Dorado (2010) 'Building Sustainable Hybrid Organizations: The Case of Commercial Microfinance Organizations', *Academy of Management Journal* 53(6): 1419-1440.
- Bebbington, A. (1997) 'New States, New NGOs? Crises and Transitions among Rural Development NGOs in the Andean Region', *World Development* 25(11): 1755-1765.
- BiD Network (2012) 'Annual Report 2011', pp. 1-84. Amsterdam, The Netherlands: BiD Network.
- Bitzer, V., M. Francken and P. Glasbergen (2008) 'Intersectoral Partnerships for a Sustainable Coffee Chain: Really Addressing Sustainability Or just Picking (Coffee) Cherries?', *Global Environmental Change* 18(2): 271-284.
- Borzaga, C., G. Galera and R. Nogales (2008) 'Social Enterprise: A New Model for Poverty Reduction and Employment Generation. An Examination of the Concept and Practice in Europe and the Commonwealth of Independent States.'UNDP and EMES European Research Network.
- C V Baxi (2010) 'The Economics of Social Responsibility: The World of Social Enterprises', *Vision* 14(3): 227.
- Charmaz, K. (2006) *Constructing Grounded Theory: A Practical Guide through Qualitative Analysis / Kathy Charmaz*; London [etc.]: SAGE Publications.
- Cordaid (2012) 'Annual Report 2011: Partners', pp. 1-71. Den Haag, The Netherlands: Cordaid.
- Dees, J.G. (1998a) 'Enterprising Nonprofits', *Harvard business review* 76: 54-69.
- Dees, J.G. (1998b) 'The Meaning of Social Entrepreneurship', *Comments and suggestions contributed from the Social Entrepreneurship Funders Working Group*.
- Defourny, J. and C. Borzaga (2001) *The Emergence of Social Enterprise*. Routledge.

- Defourny, J. and M. Nyssens (2006) 'Defining Social Enterprise', in M. Nyssens, S. Adam and T. Johnson (eds) *Social Enterprise: At the Crossroads of Market, Public Policies and Civil Society*, pp. 3-26. Taylor & Francis.
- Elkington, J. and P. Hartigan (2008) *The Power of Unreasonable People: How Social Entrepreneurs Create Markets that Change the World*. Boston, MA: Harvard Business School Press.
- Ferri, E. (2011) 'Social Entrepreneurship and Environmental Factors: A Cross-Country Comparison'. Barcelona: Universitat Autònoma de Barcelona.
- Fowler, A. (2000a) 'Introduction Beyond Partnership: Getting Real about NGO Relationships in the Aid System', *IDS Bulletin* 31(3): 1-13.
- Fowler, A. (2000b) 'NGDOs as a Moment in History: Beyond Aid to Social Entrepreneurship Or Civic Innovation?', *Third World Quarterly* 21(4): 637-654.
- Fowler, A. (2011) 'Development NGOs', in M. Edwards (ed.) *The Oxford Handbook of Civil Society*, pp. 42-54. Oxford, UK: Oxford University Press.
- Fowler, A. (1991) 'Building Partnerships between Northern and Southern Development NGOs: Issues for the 1990s', *Development in Practice* 1(1): 5-18.
- FRES (2012) 'Annual Report 2011', pp. 1-76. Amsterdam, The Netherlands: FRES.
- Glynn, M.A. (2000) 'When Cymbals Become Symbols: Conflict Over Organizational Identity within a Symphony Orchestra', *Organization Science* : 285-298.
- Gomez, G. and A.H.J. Helmsing (2010) 'Social Entrepreneurship: A Convergence of NGOs and the Market Economy?', in A. Fowler and C. Malunga (eds) *NGO Management: The Earthscan Companion (Earthscan Reader Series)*, pp. 388-402. London: Earthscan.
- Helmsing, A.H.J. and P. Knorringa (2008) 'Enterprise Development Interventions by Dutch Development NGOs: Is there Increased Involvement of Private Sector Actors and does that make a Difference?', in P. Hoebink (ed.) *The Netherlands Yearbook on International Cooperation*, pp. 105-128. Assen, The Netherlands: .
- Hivos (2012) 'Annual Report 2011', pp. 1-68. Den Haag, The Netherlands: Hivos.
- Hivos (2010) 'Citizens have a Say. Hivos Business Plan 2011-2015', pp. 1-33. Den Haag, The Netherlands: Hivos.
- ICCO (2012) 'Annual Report 2011', pp. 1-116. Utrecht, The Netherlands: ICCO.
- ICCO (2009) 'ICCO and the Private Sector. Starting Points and Priorities in Relation to Corporate Social Responsibility and Collaboration with Companies', pp. 1-8. Utrecht, The Netherlands: ICCO.
- ICS (2012) 'Jaarverslag 2011. De Feiten', pp. 1-40. Utrecht, The Netherlands: ICS.

- IICD (2012) 'Annual Report 2011. from Digital Dreams to Concrete Change', pp. 1-62. Den Haag, The Netherlands: IICD.
- Knorringa, P. and A.H.J. Helmsing (2008) 'Beyond an Enemy Perception: Unpacking and Engaging the Private Sector', *Development and Change* 39(6): 1053-1062.
- McKinsey & Company and W. Verloop (2011) 'Opportunities for the Dutch Social Enterprise Sector'. Amsterdam: McKinsey & Company.
- Nicholls, A. (2011) 'Social Enterprise and Social Entrepreneurs', in M. Edwards (ed.) *The Oxford Handbook of Civil Society*, pp. 80-92. Oxford, UK: Oxford University Press.
- NiZA (2012) 'Jaarverslag 2011', pp. 1-40. Amsterdam: NiZA in collaboration with ActionAid.
- Osterwalder, A., Y. Pigneur and C.L. Tucci (2005) 'Clarifying Business Models: Origins, Present, and Future of the Concept', *Communications of the association for Information Systems* 16(1): 1-25.
- Oxfam Novib (2012) 'Annual Review 2011. Meeting Hard Times with Fresh Resolve', pp. 1-48. Den Haag, The Netherlands: Oxfam Novib.
- Oxfam Novib (2011) 'Fair Future for all. Oxfam Novib's Corporate Plan 2011 – 2015', pp. 1-46. Den Haag, The Netherlands: Oxfam Novib.
- Ramos, F.S. and M.J.R. Martín (2001) 'Tendencias En La Evolución De Las Organizaciones no Lucrativas Hacia La Empresa Social', *CIRIEC-España, revista de economía pública, social y cooperativa* (037): 79-116.
- Ronalds, P. (2010) 'The Change Challenge: Achieving Transformational Organizational Change in International NGOs', in A. Fowler and C. Malunga (eds) *NGO Management: The Earthscan Companion (Earthscan Reader Series)*, pp. 202-214. London: Earthscan.
- Schuyt, T.N.M., B.M. Gouwenberg and R. Bekkers (2011) 'Giving in the Netherlands 2011', pp. 1-8. VU University Amsterdam, The Netherlands: Center of Philanthropic Studies.
- Selsky, J.W. and B. Parker (2005) 'Cross-Sector Partnerships to Address Social Issues: Challenges to Theory and Practice', *Journal of Management* 31(6): 849-873.
- Shafer, S.M., H.J. Smith and J.C. Linder (2005) 'The Power of Business Models', *Business horizons* 48(3): 199-207.
- SolarNow, Anonymous Business Plan.
- Solidaridad (2012) 'Solidaridad Network Annual Report 2011', pp. 1-68. Utrecht, The Netherlands: Solidaridad.
- Spark (2012) 'Annual Report 2011', pp. 1-163. Amsterdam: Spark.

Thomas, A. (1992) 'Non-Governmental Organizations and the Limits to Empowerment', in M. Wuyts, M. Mackintosh and T. Hewitt (eds) *Development Policy and Public Action*, pp. 122-146. Oxford: Oxford University Press.

Websites

CBF Website	http://www.cbf.nl/
CIDIN - Radboud University	http://www.ngo-database.nl/
Triodos Bank	http://www.triodos.com/en/
Social Enterprise UK	http://www.socialenterprise.org.uk
Butterfly-Works	http://www.butterfly-works.org
NICE International	http://www.niceinternational.com/
BoP Innovation Centre	http://www.bopinc.org/
RIWIK	http://www.riwik.nl/
Goede Waar	http://www.goedewaar.nl/
SOVEC	http://www.ovec.nl/
Pure Jute	http://www.purejute.com/
Eva-Fund	http://www.eva-fund.com/
The Value Agency / Rainbow Collection	http://www.thevalueagency.com/
1% Club	http://www.1percentclub.nl/
Fair Flowers Fair Plants	http://www.fairflowersfairplants.com/
Energy Solutions for Humanity, St.	http://www.i-love-windpower.com/
Tag-Accessories	http://www.tag-accessories.com/
DOB Foundation	http://www.dobfoundation.nl/nl
BidNetwork	http://www.bidnetwork.org/
Unseen Products	http://www.unseenproducts.com/
BeMore	http://www.be-more.org/
Fair Trade Original	http://fairtrade.nl/
TBL Mirror Fund	http://www.tbلمirrorfund.com/
Fresh Food Technology	http://www.fftcompany.com/
Wonderable	http://www.wonderable.com/
PifWorld	http://www.pifworld.com/
FRES	http://fres.nl/
VC4Africa	http://vc4africa.biz
FairMatch Support	http://www.fairmatchsupport.nl/
SolarNow	http://www.solarnow.org/
Agriterra, St	http://www.agriterra.org/en
Care Nederland	http://www.carenederland.org/
Cordaid	http://www.cordaid.nl/
Hivos, St.	http://www.hivos.nl/
ICCO	http://www.icco.nl/nl/

ICS	http://ics.nl/
IICD	http://www.iicd.org/
NiZA, St. (ActionAid Nederland)	http://www.actionaid.org/nl/nederland
Oxfam Novib, St.	http://www.oxfamnovib.nl/
Solidaridad	http://www.solidaridadnetwork.org/
SPARK, St.	http://www.spark-online.org/

Annex I – List of organisations and people interviewed

<i>No.</i>	<i>Organisation</i>	<i>Interviewees</i>	<i>Date</i>
1	BidNetwork	Thierry Sanders	06/2012
2	DOB Foundation	Marco Malisani	06/2012
3	Butterfly-Works	Ineke Aquarius	18/06/2012
4	NICE International	Ties Kroezen	21/06/2012
5	Ecologic Republic	Andriana Landegent	21/06/2012
6	BoP Innovation Center	Myrtille Danse	22/06/2012
7	RIWIK	Bart Fugers	24/06/2012
8	Goede Waar	Eelco Huijsman	2/7/2012
9	SOVEC	Sander Smits van Oyen	3/7/2012
10	Pure Jute	Désirée Rasenberg	10/7/2012
11	EvaFund	Vincent Kouwenhoven	12/7/2012
12	The Value Agency	Dieuwertje Damen	16/7/2012
13	1%Club	Bart Lacroix	17/7/2012
14	Fair Flowers Fair Plants	Sjef Langeveld	20/7/2012
15	Financial Access Capital Partners	Peter van der Krogt	23/7/2012
16	Energy Solutions for Humanity, St.	Piet Willem Chevalier	23/7/2012
17	Tag-Accessories	Cathelijne Huis in 't Veld	24/7/2012
18	Unseen Products	Hein Kop	30/07/2012
19	BeMore	Michel Groenenstijn	30/07/2012
20	Fair Trade Original	Connie Valkhoff Ron van Meer	2/8/2012
21	TBL Mirror Fund	Sarah Ngamau	3/8/2012
22	Fresh Food Technology	Edwin Willems	7/8/2012
23	Wonderable	Carla Peters	8/8/2012
24	Pifworld	Harmen van Doorn	10/8/2012
25	FRES	Caroline Nijland	16/8/2012
26	VC4Africa	Ben White	17/08/2012
27	FairMatch Support	Herman Uit de Bosch	21/08/2012
28	SolarNow	Willem Nolens	23/08/2012
	Resource Persons		
	TU Delft (Lecturers on Sustainable Entrepreneurship)	Esther Blom Boukje Vastbinder	21/08/2012

Note: All interviews were conducted by Daniel Gómez, except interviews number 1 and 2, which were conducted by Professors Bert Helmsing and Peter Knorringa, and interviews 3, 4 and 6, which were conducted jointly by Daniel Gómez and Professor Bert Helmsing. Interviews 5 and 15 were not included in the report because these were considered to be in the category of Socially Responsible Businesses with a primary economic motivation.

Annex II – Questionnaire used for interviews to Social Entrepreneurs²⁴

Civic innovation in international development

The role of social entrepreneurship in enterprise development and poverty reduction

(Version: 7/5/12)

Introduction

International development in relation to poverty reduction has in the past decade been shifting from aided supply side interventions to more attention to making markets work for the poor. This shift has also been aided by a change in actors. Conventional monolithical categories such as non-governmental organizations, state and private enterprise give way to hybrid type actors and multi-actor partnerships, which combine and/or blend features of different kinds of actors. An important new actor is the social entrepreneur who is market oriented and who engages in ‘blended value creation’.

The purpose of this research is to map their innovative ways in which they tackle issues of enterprise development and poverty reduction. More specifically, this research seeks to answer the following questions:

- a) what are the features of social entrepreneurs in terms of their origins and backgrounds, their values and business model?
- b) How are their enterprises organized, what products/services do they provide?
- c) What are their international development goals, what activities do they undertake and how do they achieve these?
- d) What are the main challenges which their enterprises face?

The interview instrument has four sections, each addressing one of the four above listed questions.

Section 1: social entrepreneurs

- 1.1) What were your professional experiences before you started (working for) this social enterprise?

.....

²⁴ The questionnaire was developed by Professors Helmsing and Knorringa for the purpose of a study on Social Entrepreneurship in The Netherlands.

- 1.2) In what year did you start thinking about setting up your own social enterprise (or: in what year did you start thinking about working for a social enterprise):.....
- 1.3) In what year did you actually establish the social enterprise (or in what year did you actually start working for a social enterprise):.....
- 1.4) What were your reasons to set up your own social enterprise?
.....
- 1.5) How many years have you now been active as social entrepreneur:
.....years
- 1.6) How do you see yourself?
a) in what ways are you different from mainstream business(wo)men?
.....
b) In what ways are you different from a traditional NGO?
.....

1.7) How important are the following characteristics for you?
(scale 1 very unimportant – 5 very important)

Ideology guiding your actions					
Professional background and professionalism					
Practical solutions to social problem					
Social entrepreneurship is about innovativeness					
Blending of social with financial return					
Sharing of innovations with others					
Start up only when enterprise is fully resourced					
Everyone can become a social entrepreneur					
Tenacious determination is what gets things done					
Measuring results and impacts is the key to success					
Influence change makers in other sectors					
Be unreasonable					
Be impatient					

1.8) In general, social entrepreneurs: (scale 1- I disagree strongly – 5 - I agree strongly)

Want to change the system					
Are ambitious people					

Are driven by passion					
Think they have a template for the future					
Seek profits in what seem to be unprofitable pursuits					
Think beyond current market research					

1.9) Level of completed education by you

Primary education	
Secondary education	
Medium professional education	
High professional education	
University level (BA)	

1.10) Number of years of working experience before starting (working for) a social enterprise and where

	Number of years as employee	Number of years as entrepreneur
(Semi) Public sector		
Private sector (SMEs)		
Corporate sector		
NGO		

1.11) In 2011 did you have any other employment alongside your social enterprise?

.....

1.12) In 2011 did you have any other mainstream business enterprise alongside your social enterprise?

.....

1.13) Basic data on that mainstream business enterprise (turnover, employment)

.....

Return to discuss about your social enterprise....

1.14) How important are the following financial resources for your *social* enterprise?

(1=very unimportant to 5=very important)

Funds drawn from family and friends					
Raising funds from the public (philanthropists or crowd funding)					
Attracting help in kind					
Appealing to Angel investors					
Appealing to Foundations					

Accessing public sector funding					
Make sales and charge fees (incl membership fees)					
Obtain loans from banks					
Franchising					
Partnerships and joint ventures					
Pursuing venture capital					
Go public or sell out					

Section 2: social enterprise

2.1) In 2011 did you employ anyone *other* than yourself: yes/no (in case of interviewing entrepreneur)
How many:... (in FTE equivalent)

2.2) Did you engage any volunteers:.....
(on average with how many hours per day?:)

2.3) Describe what product or service you provide?
.....

2.4) Identify which situation applies?
(tick off)

1) my product/service did not exist before my enterprise started (a completely new product/service)	
2) my product/service did not exist in the working area of my enterprise but did exist in other parts of NL or abroad	
3) my product/service did exist but had not been applied to my target audience	
4) my product/service did exist in the working area of my enterprise and had been applied to my target audience as well	

2.5) In the past year (2011):

The SE was running with losses	
The SE was breaking even	
The SE was making a surplus/profit	
I do not know	
Not applicable (SE is less than 1 year old)	

2.6) Do you expect that in three years from now(2015):

The SE will still be running losses	
The SE will be breaking even	
The SE will be making a surplus/profit	
I do not know	

2.7) What is your business model?

a) My Social Enterprise seeks social/economic goals on the basis of subsidies obtained from third parties (<i>Leveraged non-profit model</i>)	
b) My Social Enterprise functions on the basis of a mix of subsidies and cost recovery (<i>Hybrid non-profit venture</i>)	
c) My Social Enterprise was set up as a for-profit venture but with a mission to drive transformational social or environmental change and profits are ploughed back in order to expand the venture so as to serve more people. (<i>Social business venture model</i>) (Profits are not to maximize financial returns for shareholders but to financially benefit low income groups);	

2.8) Is there another social enterprise that you consider to be a *role model* for you?

.....

Section 3: international development and partnerships

3.1) In which countries are you active with your social enterprise?

.....

3.2) What activities do you undertake?

.....

3.3) What is your thematic focus?

.....

3.4) Do you focus on specific target groups? Can you describe your target group?

.....

3.5) Do you focus on SMEs, micro enterprises or survival/livelihood enterprises?:

3.6) Has your (thematic/group/enterprise) focus changed in the past 2 to 5 years? If so, describe that change (which category has entered and which one has left (if any)?):

.....

3.7) How can your approach be classified?

Activities seek to address systemic market failure (where local agents lack competences and/or institutions to make markets work)	
Activities seek to address imperfect markets (where local agents due to resource and other asymmetries are disadvantaged)	
Activities to provide goods/services where governments and (for profit) markets fail to provide (public goods/services)	
Civic (or private voluntary) regulation of markets	
Channelling private philanthropy	

- 3.8) What is your competitive advantage in these activities?

- 3.9) What are the distinguishing features of your approach as compared to other social enterprises, to mainstream business enterprises and/or state driven initiatives?

- 3.10) Do you undertake activities *outside* the realm of enterprise development (e.g. in social services). If so, how important are these when measured in budgets?

Working with local partners abroad

- 3.11) Do you work together (in partnership) with domestic or local business sector and why (not)?

- If not, have you tried, since when?
 What were obstacles:.....

- 3.12) Do you work together (in partnership) with local NGOs? And why (not)?

- 3.13) What difference does it make to work with local business partners or with local (conventional) NGOs?

- 3.14) Has your working with local partners influenced your choice of focus (thematic, target group, enterprise) and activities?

Working with private business partners in The Netherlands

- 3.15) Do you currently work together with businesses or business organizations (VNO/NCW or KvK or PUM) in The Netherlands and why (not)?

- 3.16) If you do, what are the specific contributions from the Dutch private sector?

- 3.17) Has this made any difference to your work?

- 3.18) Has it become more important in the past 2-5 years and why?

.....

- 3.19) Has your working with Dutch business private sector influenced your choice of focus (thematic, target group, enterprise) and activities?
.....

Working with Non-Governmental Organizations from The Netherlands

- 3.20) Do you currently work together with Dutch NGOs and why (not)?
.....
- 3.21) If you do, what are the specific contributions from them?
.....
- 3.22) Has this made any difference to your work?
.....
- 3.23) Has it become more important in the past 2-5 years and why?
.....
- 3.24) Has your working with Dutch NGOs influenced your choice of focus (thematic, target group, enterprise) and activities?
.....
- 3.25) For what and under which circumstances do you expect synergies to become realizable between business, government and NGOs?
.....

Measuring and having impact

- 3.26) Do you monitor your results and if so, how?
.....
- 3.27) What are your success indicators?
.....
- 3.28) What are your impact indicators?
.....
- 3.29) Have you changed your enterprise strategy as a result of monitoring your results and impacts? (illustrate with an example)
.....
- 3.30) Have your success indicators changed in the past 2 – 5 years?
.....
- 3.31) Do you apply different success indicators to different countries/target groups/enterprises?
.....
- 3.32) What are your success stories?
.....

- 3.33) How do you think that other actors (other social entrepreneurs, NGOs, private enterprises and government) see you and your effectiveness?

Section 4: Main challenges of the Social enterprise

4.1) In which phase does your social enterprise find itself:

1) Awareness (pre-enterprise stage)	
2) Idea generation and business plan development	
3) Start up of the enterprise	
4) Professionalizing the enterprise	
5) Scaling-up and growth of the enterprise	

Challenges of the sector in which you are active

- 4.2) Is the sector in which you operate ‘amenable’ to the idea of social enterprise?
.....
- 4.3) What are inhibiting/enabling factors?
.....
- 4.4) What makes the value proposition of a social enterprise in this sector attractive to an entrepreneur and why?
.....
- 4.5) Is the existence of the Dutch welfare state an obstacle or an advantage and why?
.....
- 4.6) Is Dutch official development cooperation an obstacle or an advantage and why?
.....
- 4.7) Would social entrepreneurial activity help to increase or decrease the public support for Dutch official development cooperation?
.....

External challenges to the social enterprise

4.8) What are the main market challenges for your enterprise’s goods/services:

1. Covering all costs from customers	
2. Mobilizing customers	
3. Competition from other existing social enterprises	
4. Competition from public sector organizations	
5. Competition for conventional for profit private sector enterprises	

4.9) Finding the right employees

Access to right kind of staff with high talents to make the social enterprise work (in what area is it especially difficult to find the right kind of staff?):

.....

4.10) Finding appropriate funding

1. Access to seed capital (is less demanding in terms of business plan)	
2. Access to venture capital (the larger the need for finance, the more demanding the venture fund is on the business plan)	
3. Access to loans (require a reputation; how to get it?)	

4.11) How difficult/easy is it for you to mobilize funds from private sector sources in NL?

.....

4.12) What do private investors/lending agencies ask for in order to decide?

.....

4.13) Access to and support from networks

1. Strength of existing stakeholders in the sector (organizations in and organization of the sector)	
2. Access to relevant support networks (TA, coaching, interest representation)	
3. Finding the right partners to make the SE viable and sustainable	

4.14) Legislation

What are legal regulatory provision (general or sector specific) are particularly enabling/disabling to your social enterprise?

.....

4.15) Fiscal and trade regulations

What are fiscal regulatory constraints for your social enterprise?

.....

4.16) Do restrictive trade regulations apply, if so, which?

.....

Internal management challenges

4.17) What are your principal management challenges?

.....

4.18) How do you balance social objectives and financial returns?

.....

4.19) On what grounds do you end a relationship with a supplier/buyer?

.....

4.20)How do you balance short-term survival with long-term success?

.....

4.21)On what grounds will you decide to let go and close down your enterprise?

.....

THANK YOU

Annex III – Summary of data gathered (SEs and NGOs)

General characteristics, legal form and origins

#	Organization	Type	Business Model	Legal Status	Year Established	Establishment	# Employees	Size	Explanation Origin	Origins (1=Yes)				
										Social Structure	Ideology	Issues	Technology	Private Philanthropy
1	Butterfly-Works	SE	Hybrid Non-profit	Both	2004	Young	12	Small	ICT is the main tool. Social change is the main goal.				1	
2	NICE International	SE	Social Business	BV	2003	Young	13	Small	Energy container+ access internet+ training			1	1	
3	BoP Innovation Centre	SE	Hybrid Non-profit	Stichting	2010	Young	8	Small	BoP + Water, Food security, Energy + possible to be sustainable			1		
4	RIWIK	SE	Social Business	BV	2011	Young	3	Small	Energy + windmills + personal experiences			1	1	
5	Goede Waar	NGO	Intermediate	Stichting	1982	Established	4	Small	Sustainable development + better economic model			1		
6	SOVEC	SE	Social Business	Both	2008	Young	4	Small	VC missing middle			1		1
7	Pure Jute	SE	Hybrid Non-profit	Stichting	2010	Young	0	Small	Environmental concern + fair trade + personal experiences		1	1		
8	Eva-Fund	SE	Social Business	BV	2009	Young	3	Small	VC + ICT focus			1	1	1
9	The Value Agency / Rainbow Collection	SE	Social Business	BV	2009	Young	2	Small	Fair Trade, MDG, awareness		1			
10	1% Club	NGO	Intermediate	Both	2008	Young	12	Small	ICT for platform + Economy (external SE) + channel philanthropy				1	1
11	Fair Flowers Fair Plants/former Director Both ENDS	SE	Hybrid Non-profit	Stichting	2000	Established	2	Small	Sustainable development + representing flower industry	1		1		
12	Energy Solutions for Humanity, St.	NGO	Intermediate	Stichting	2009	Young	0	Small	Energy + wind turbines			1	1	
13	Tag-Accessories	SE	Hybrid Non-profit	BV	2006	Young	0	Small	Fair Trade + personal experiences and networks		1	1		
14	DOB Foundation	SE	Social Business	Stichting	1997	Established	12	Small	Private foundation + VC			1		1

15	BidNetwork	SE	Social Business	Both	2005	Young	17	Small	Changing business model + VC and training + ICT + leverage on volunteers			1	1	1
16	Unseen Products	SE	Social Business	BV	2007	Young	3	Small	Fair Trade, ICCO investor		1			
17	BeMore	SE	Social Business	Stichting	2006	Young	34	Medium	Personal experience, volunteering			1		1
18	Fair Trade Original	SE	Social Business	Stichting	1959	Well Established	40	Medium	Fair Trade		1			
19	TBL Mirror Fund	SE	Social Business	BV	2007	Young	6	Small	VC + mirror principle (pairing)			1		1
20	Fresh Food Technology	SE	Social Business	BV	2006	Young	3	Small	Private foundation + cooling facilities + farmers right to fair prices			1	1	1
21	Wonderable	SE	Social Business	BV	2009	Young	2	Small	Fair Trade + personal experiences and networks + ethical investors		1	1		1
22	PifWorld	SE	Social Business	Both	2009	Young	6	Small	CSR, volunteers and ethical investors + Web Platform				1	1
23	FRES	NGO	Intermediate	Both	2000	Established	3	Small	solar home based systems + energy			1	1	
24	VC4Africa	SE	Social Business	BV	2011	Young	0	Small	Officer program (volunteers) + Web platform + Missing middle VC			1	1	1
25	FairMatch Support	NGO	Intermediate	Stichting	2007	Young	5,6	Small	Sustainable VC, but not rights based			1		
26	SolarNow	SE	Social Business	BV	2011	Young	34	Medium	Solar home systems + energy + changed business model			1	1	
27	Agriterra, St	NGO	Traditional	Stichting	1983	Established	33,5	Medium	Democracy through empowerment of farmer assoc. Objective: Agriterra aims to promote economic activities in developing countries. We also want to see that the organisations that represent the interests of rural populations develop themselves into strong and representative member's organisations with a primary focus on providing services to people in rural areas. We support these processes by stimulating cooperation and international exchange amongst rural people's organisations. We expect strong and representative member's organisations to positively influence the economic, social and ecological sustainable development of rural areas in Africa, Latin America, Asia and Central and Eastern Europe, and that in so doing rural people will enjoy higher standards of living.			1		
28	Care Nederland	NGO	Traditional	Stichting	1993	Established	27	Medium	CARE Netherlands helps the resilience of Communities that are vulnerable to natural disasters and violent conflicts, increasefontsize by Providing Necessary life and contribute to sustainable solutions.			1		

29	Cordaid	NGO	Intermediate	Stichting	1999 (but working since 1914)	Established	265	Large	Catholic SS, transforming to SE was much after and did not change legal form (Annual Report 2011) Objective: '... to undertake activities in accordance with evangelical principles and inspired from the Catholic community in the Netherlands, focusing on: a. providing emergency aid and refugee relief; b. providing aid to special target groups, such as the elderly, the disabled and children; c. providing medical aid; and d. all aspects related to structural poverty relief of underprivileged groups, particularly in developing countries, and in Central and Eastern Europe.'	1				
30	Hivos, St.	NGO	Intermediate	Stichting	1968	Well Established	287	Large	From Fowler 1991 SS, ideology from Capabilities approach (advocacy for equality) Hivos is a Dutch development organisation guided by humanist values. Together with local civil society organisations in developing countries, Hivos wants to contribute to a free, fair and sustainable world. A world in which all citizens – both women and men – have equal access to opportunities and resources for development and can participate actively and equally in decision-making processes that determine their lives, their society and their future. Hivos trusts in the creativity and capacity of people. Quality, cooperation and innovation are core values in Hivos's business philosophy. Hivos is committed to poor and marginalised people in Africa, Asia and Latin America. A lasting improvement in their situation is the ultimate measure for our work. One of the guiding principles of our philosophy is strengthening the social position of women.	1	1			
31	ICCO	NGO	Intermediate	Both	1971	Well Established	227	Large	From Fowler 1991 SS + Capabilities approach (entitlements) ICCO is an interchurch organization for development cooperation. Our identity and work is characterized by three crucial values: compassion, justice and stewardship. The mission of ICCO is to contribute to poverty alleviation and social justice in programs and countries where we can have an impact and make a difference.	1	1			
32	ICS	NGO	Traditional	Stichting	1980	Established	79	Medium	Childhood development through entrepreneurship Mission: A future for children in Africa and Asia. That's the goal of ICS. A good social environment is essential for that. Not only in the family, but also in the community. To			1		

									achieve that, child protection and social entrepreneurship are pivotal aspects in the work of ICS.					
33	IICD	NGO	Traditional	Stichting	1996	Established	28,9	Medium	ICT to improve issues (health, educ, etc.) Mission: IICD's mission is an ambitious one. We want to help 10 million low-income people in Africa and Latin America to access ICT and use it to improve health, education, economic development and livelihoods, especially agricultural livelihoods.			1	1	
34	NIZA, St.	NGO	Traditional	Stichting	1997	Established	14,44	Small	To work with poor and excluded people, particularly women, to end poverty and injustice by promoting the fair and sustainable use of natural resources in Sub-Saharan Africa. In pursuing this mission, ActionAid Netherlands places a strong emphasis on the rights and livelihoods of women. We encourage active monitoring by affected communities and promote alternative approaches to natural resource governance. Key to tackling some of the structural causes of poverty are policy influencing and campaigning activities built on good research, local knowledge and people's pressure and support to secure fair national and international policies.		1			
35	Oxfam Novib, St.	NGO	Intermediate	Both	1956	Well Established	323,6	Large	From Fowler 1991 SS, Human rights (ideology). Mission: Our mission is to create a just world, without the extreme poverty that afflicts an estimated 1.2 billion people. Our approach is to work in partnership with local organisations in developing countries, building their capacity to help citizens to fight for their own rights. At the same time we lobby governments, the private sector and other agencies who have the power to affect poverty and injustice, often in collaboration with other Oxfams. And we enthuse citizens in The Netherlands to make a difference in their roles as donors, volunteers, activists and consumers.	1	1			
36	Solidaridad	NGO	Intermediate	Both	1994	Established	26,5	Medium	Environmental and fair trade (sustainable chains) Mission: To develop and promote sustainable economic models for a world full of development opportunities, high quality of life, cultural and environmental diversity, based on sustainable production and consumption.		1	1		
37	SPARK, St.	NGO	Traditional	Stichting	1994 (2007)	Established	15	Small	SPARK develops higher education and entrepreneurship so that young ambitious people are empowered to lead their post-conflict societies into prosperity.			1		

Financing Strategies

#	Organization	Importance Sources of Finance for SE (1=very unimportant, 5= very important)							Mention Budget Cuts	Strategy for dealing with cuts	Strategies for dealing with cuts - NGOs (1=yes)				
		Philanthropy	Angel Investors	Foundations	Public Sector	Loans	Venture Capital	Sell out			Diversify grants and donors	Managerial	Programmatic approach	Consultancy	SE
1	Butterfly-Works	4	3	4	5	2	3	1							
2	NICE International	1	1	3	5	3	3	1							
3	BoP Innovation Centre	4	1	4	5	1	1	1							
4	RIWIK	1	5	1	1	1	1	1							
5	Goede Waar								Yes	Donors as clients. Reduce dependency by adjusting offer to attract new clients (members/donors)					1
6	SOVEC	3	5	4	4	1	1	1							
7	Pure Jute	5	1	1	3	1	1	1							
8	Eva-Fund	1	1	3	1	1	1	1							
9	The Value Agency / Rainbow Collection	1	1	1	1	1	3	1							
10	1% Club								Yes	Cross-subsidization through Outbox consulting				1	1
11	Fair Flowers Fair Plants/former Director Both ENDS	3	1	3	5	3	1	1							
12	I-Love-Windpower / Energy Solutions for Humanity, St.								No	NA					
13	Tag-Accessories	1	1	5	4	1	1	1							
14	DOB Foundation	1	1	3	2	1	4	5							

15	BidNetwork	5	5	4	5	3	4	3									
16	Unseen Products	1	1	5	1	1	1	1									
17	BeMore	4	2	1	1	1	1	1									
18	Fair Trade Original	2	4	2	2	5	5	4									
19	TBL Mirror Fund	1	1	3	5	1	5	1									
20	Fresh Food Technology	1	1	5	3	5	1	1									
21	Wonderable	1	5	3	1	1	1	1									
22	PifWorld	1	1	1	1	1	5	1									
23	FRES								Yes	None. They still work on the basis of Gov't funds and Donations and do not want to change this.							
24	VC4Africa	1	5	5	5	5	5	2									
25	FairMatch Support								Yes	The private sector base is increasing (not donors, but financiers of projects that benefit them).					1		
26	SolarNow	2	3	2	3	5	5	1									
27	Agriterra, St								Yes	Search for other Government grants first (EU was not granted) and through support from other agencies from other countries (money from other donor organizations - e.g. SCC, Agricord through Finnish Government). Lobby (signed a petition) to mobilize funds from other governments and donor agencies.	1	1					
28	Care Nederland								No	To become less dependent on private sector (increased to 20% very fast. They want to focus on Transparency and reporting).	1						

29	Cordaid								Yes	Scaling down activities and relationships. Seeking alternative sources of finance (tendering for other Gov't projects). Private donors also fell. Additional funding WB, EU. Becoming a SE.		1	1	1		
30	Hivos, St.								Yes	Internal organization changes + decentralization. By 2015 they expect to be more independent from Dutch Government (60% Gov't funds). ..pg. 6 Table AR2011	1	1	1			
31	ICCO								Yes	Same as Hivos. Fired personnel (almost 30% down in FTEs), Programmatic approach, Decentralization + co-responsibility. Diversification of Government grants (now 73% of income is MFS, while in 2010 it was close to 85%).	1	1	1	1		
32	ICS								No	None						
33	IICD								Yes	Diversify sources of funding + find new business model (more profit-oriented).	1					
34	NiZA, St.								Yes	In 2012 NiZA became officially an affiliate of ActionAid International (therefore its new name ActionAid Netherlands). It wants to leverage from this position to diversify and increase its income. They want to increase numbers in fundraising from public and institutional donors.	1					
35	Oxfam Novib, St.								Yes	Now MFS only 35%. They have diversified government funding (EU, and others) and "institutional funding" (contracts with e.g. bilateral institutions). They also increase their donor base. They have adopted a programmatic	1	1	1			

									approach to reach institutional funding. They have cut down personnel and decentralized operations.						
36	Solidaridad								Yes	Diversify Government funds, private donations, project funding and decentralization.	1	1			
37	SPARK, St.								Yes	Diversify government grants to meet MFSII 25% criteria	1				

Fields of Action and bridging the gap

#	Organization	Original Fields of Action					Fields of Action (revised)					Explanation of revisions in Fields of Action	Bridge Gap (Yes/No)	How Bridge Gap	How (Partner, Alone, Pillar)
		MB	MP	DPS	CRM	CPP	MB*	MP*	DPS*	CRM*	CPP*				
1	Butterfly-Works	0	1	0	0	0	1	1	0	0	0	They work with communities and also help create markets (example of tourism with local women in video). They are hired by Oxfam Novib to do this	Yes	They partner with NGOs that have local networks (Oxfam)	Partner
2	NICE International	0	0	1	0	0	0	1	1	0	0	They are starting to provide also BDS services (for a fee).	No		
3	BoP Innovation Centre	1	0	0	0	0	1	1	0	0	0	They offer incubator services for private sector companies wishing to address BoP issues in developing countries.	Yes	They partner with both NGOs and Private Sector. They work in projects with financing from both sides, like FMS they remain outsiders and help create conditions for markets to work.	Pillar
4	RIWIK	0	0	1	0	0	1	1	1	0	0	For MB: they organized the supply chain and they let local entrepreneurs use their brand in order to get credibility and access markets For MP: They sell components and windmills themselves.	Yes	Enter a new market and set up everything. They are not selling to their target group at the moment because they have not found the way to make it financially viable. They are thinking about microfinance (like SolarNow).	Alone
5	Goede Waar	0	0	0	1	0	0	0	0	1	0		No		
6	SOVEC	0	1	0	0	0	0	1	0	0	0		No		

7	Pure Jute	0	1	0	0	0	0	1	0	1	0	For MB: the part of Bangladesh is focused on community development by building markets. They are transferring their know-how so that these women can reach other markets. For Pservices: they want to initiate a project with solar energy. For Regulation: They are lobbying (want to) for certifications in Jute as there are with cotton (organic).	Yes	Collaborating with NGOs at the local level and international umbrella organisations	Alone
8	Eva-Fund	0	1	0	0	0	0	1	0	0	0		No		
9	The Value Agency / Rainbow Collection	1	0	0	0	0	1	1	0	0	0	They are engaging in the market (fair trade products... creating campaigns).	Yes	With local NGOs they partner for capacity building, quality assurance, etc.. They take care of the business part mainly.	Alone
10	1% Club	0	1	0	0	0	1	0	0	0	1	CPP: They are crowd-funding projects and facilitating transfer of knowledge and expertise	No		
11	Fair Flowers Fair Plants/former Director Both ENDS	0	0	0	1	0	0	1	0	1	0	MP: They participate directly in the market by selling labels and helping the local producers meet standards.	No		
12	I-Love-Windpower / Energy Solutions for Humanity, St.	0	0	1	0	0	1	1	1	0	0	Like RIWIK	Yes	With local NGOs that help them in selecting process and capacity building in areas that are not their expertise (alpha-betization, psychology, etc.)	Alone
13	Tag-Accessories	0	1	0	0	0	0	1	0	0	0		No		
14	DOB Foundation	1	0	0	0	0	1	0	0	0	0		No		
15	BidNetwork	1	1	1	0	1	1	1	1	0	1		Yes	They work with SPARK in the United Entrepreneurship Coalition (MFS II).	Partner and Alone

16	Unseen Products	0	1	0	0	0	0	1	0	0	0		No		
17	BeMore	1	1	0	0	1	1	1	0	0	1		No		
18	Fair Trade Original	0	1	0	0	0	1	1	0	0	0	MB: Especially until 2010, they were able to spend more on building capacity of local organizations (traders and producer organizations)	Yes	MB: Especially until 2010, they were able to spend more on building capacity of local organizations (traders and producer organizations)	Alone
19	TBL Mirror Fund	1	0	0	0	0	0	1	0	0	0	It's more about b. I wasn't able to talk to her about this.	No		
20	Fresh Food Technology	0	1	0	0	0	1	0	0	0	0	They sell their services to a third party that pays them to help set up projects to increase the capacity of local producers by eliminating the middle-men.	No		
21	Wonderable	0	1	0	0	0	0	1	0	0	0	She doesn't even advertise her products under the "fair trade" label... first is the quality and beauty	No		
22	PifWorld	1	1	0	0	0	1	1	0	1	1	They do work as a link between, but more importantly they do private philanthropy and they also work with CSR (not lobbying but promoting). They do sell products (tools) and services (Advisory) to charities working with local entrepreneurs.	No		
23	FRES	0	0	1	0	0	0	1	1	0	0	They are participating directly in the market (providing the services at a cost).	No		
24	VC4Africa	1	1	0	0	0	1	1	0	0	0		No		
25	FairMatch Support	1	0	0	0	0	1	0	0	0	0		No		
26	SolarNow	1	0	0	0	0	1	1	0	0	0	They are creating the financial institutions needed to address the problem, but they are participating directly in the market. Reducing problems of credibility faced before by local entrepreneurs. They see solar energy not as a public good, but private, it's the only way it will become scalable (this is why not c).	Yes	They built market as an NGO, with government funds. Now they	Alone
27	Agriterra, St	1	0	0	0	1	1	0	0	0	1	Strengthen producer organizations and build economic and advocacy capacity. Connect producers in developing countries and in The NL with each other.	No		
28	Care Nederland	1	0	1	0	0	1	0	1	0	0	1. Support people in a life threatening situation due to emergencies. CARE Nederland is particularly active in the field of natural disaster, refugees, reconstruction in war-torn countries and disaster management; 2. Inform the Dutch population broadly about conflict and disasters around the world, their cause and how CARE Nederland supports people during the reconstruction phase; 3. Lobbying for its views and appropriate action-taking by relevant persons and institutions, and everything that relates to this or may be conducive, in the broadest sense.	No		

29	Cordaid	1	1	0	1	0	1	1	0	1	0	Work with farmer organizations to help increase their position and resistance to climate change. Access to financial services is an important part.	Yes	In the financial sector, they provide micro-finance	Alone
30	Hivos, St.	1	1	0	1	0	1	1	0	1	0	Greening Entrepreneurship... sustainable local economic activities (agriculture sector). Access to finance (supporting MFIs) Market regulation: Advocacy – aimed at local, national and international governments, institutions and businesses – is essential to make laws, regulations and markets work in favour of marginalised groups.	Yes	They partner with Triodos Bank. They started with just microfinance, and now they are also starting a trading company (fair trade products)	Partner
31	ICCO	1	1	1	1	0	1	1	1	1	0	Direct poverty alleviation: delivery of services and capacity building, CBO strengthening, and lobbying. The most important aims for these partnerships were: investing in capacity building (30%), integrating beneficiaries into global supply chains (28%) and creating new products, markets or services (26%). Market building: support in capacity development of small producers, we proactively increase the supply of certified sustainable products like organic, Fair trade and Better Cotton, FSC timber and various food crops. Market building-market participation link: Co-Creation. ICCO used the knowledge and entrepreneurship of successful business people for these interventions, and they in turn were able to achieve their socioeconomic ambitions. Linking market building and market participation: BoP INC. Business for Bottom of Pyramid (BoP). Market based innovate product development can be a solution for the basic needs of the largest and poorest group of people who are at the bottom of the pyramid. In 2011, the BoP Innovation Center (BoP Inc), to which ICCO is a founding and strategic partner, worked for the first full year. The center is “secretary” and provides assistance to the consortium ‘Uborwa wa Dawa’ of DSM, ICCO and our African partner EPN, to develop and prepare the market introduction in Kenya of an innovative test kit for medicine quality. (p. 29). Enterprise Development focus: Whereas in the past NGOs tended to market whatever products and whatever quality were produced by their target group, nowadays they select more promising value chains and focus on one or on a few. An increasing number of the partners are starting to charge fees for their services, a fact that indicates a more business minded approach as well as increasing quality of services.	No	Has the potential of linking the companies it finances with the entrepreneurship projects. The link is not clear yet. Something they could work on.	

32	ICS	1	0	0	0	0	1	0	0	0	0	Market building: help local companies be built according to the needs of the community (Social Entrepreneurship in the "European sense..." closer to cooperative model.	No		
33	IICD	1	0	0	0	0	1	0	0	0	0	Market Building: We kicked off our ambitious five-year Connect4Change programme and a substantial range of ICT-based social innovation processes in 2011. These focus explicitly on building capacities of partner organisations and their beneficiaries to integrate ICT into development efforts in a sustainable way. Using ICT to help people get access to basic social services Market Building. Themes IICD's partners in this programme are NGOs and producer organisations serving small-scale farmers and entrepreneurs. • Market information; Extension; Credit information. ; Producer organisation (internal communications); Production information (improve planning and bulk sales) ; Certification (access to better markets).	No		
34	NiZA, St.	1	0	0	1	0	1	0	0	1	0	Market building or Regulation of markets?: build capacity of local farmers and organizations so that they can exercise their rights.	No		
35	Oxfam Novib, St.	1	1	1	1	0	1	1	1	1	0	Mkt Building: capacity building and financing (through grants and loans) to MFIs and Public Service providers (CBOs). Mkt Participation: Through Triple Jump (outside Provision Services: InternetNOW! Internet containers in rural areas (competition to NICE?) Regulation Mkts: Fair Bank Guide... in partnership with others... they influence banks in working on CSR (or directing investments of corporations). Value Chain advocacy (for sustainability). Consumer awareness	Yes	With Butterfly-Works and 1%Club	Partner and Alone
36	Solidaridad	1	1	0	1	0	1	1	0	1	0	Market Building: By supporting farmers, miners and manufacturers produce in a sustainable manner (advice an training) + supporting local business networks to ensure access/provision of supplies, and financial and BDS services. Market Participation: Through their companies AgroFair BV and Kuyichi BV Civic regulation of markets: Create labels (Max Havelaar and Utz Certified and raise awareness amongst consumers	Yes	Through the creation of SEs that participate in the market	Alone

37	SPARK, St.	1	0	0	1	0	1	0	0	1	0	<p>Market Building: Support the creation of Business Service Centers that organise business plan competitions, and offer skills trainings, coaching, consultancy, mentoring and access to finance.</p> <p>Local partners all specialize in entrepreneurial development, including business associations, chambers of commerce, higher vocational schools and micro-finance institutions.</p> <p>The programme rests on two pillars:</p> <p>(1) Strengthening the capacity of these local organizations to enable them to directly support entrepreneurs in starting a new company or increase the growth of existing firms.</p> <p>(2) Cutting red tape for entrepreneurs, therefore creating more jobs and enabling economic growth.</p> <p>The SME Development programme is headed by the United Entrepreneurship Coalition (SPARK and BiD Network). Over the next five years, SPARK and BiD will work closely together and with local partner organisations to support the development of SME across the five regions of focus.</p>	No		
----	------------	---	---	---	---	---	---	---	---	---	---	--	----	--	--

Financial data NGOs (source CBF and annual reports)

Organisation	Total Income				
	2007	2008	2009	2010	2011
AGRITERRA	10.577.690	16.279.394	19.962.260	6.611.254	
CARE NEDERLAND	30.254.075	13.801.329	12.377.316	20.616.016	15.973.117
CORDAID	178.344.000	171.435.000	182.086.000	180.700.000	111.694.000
FRES	794.842	11.628.428	3.488.747	3.596.697	2.070.587
GOEDE WAAR	515.169	258.197	135.218		
HIVOS	101.805.000	99.661.000	125.502.000	75.200.000	99.668.000
ICCO	109.181.942	144.221.642	142.383.473	103.482.194	70.336.826
ICS	8.735.056	8.525.982	8.597.127	8.493.392	10.558.033
IICD	5.999.012	5.580.555	6.036.073	6.422.747	8.789.792
NIZA	8.298.471	6.111.377	3.977.138	2.949.315	3.008.170
OXFAM	193.896.000	193.130.000	193.561.000	177.893.000	129.316.000
SOLIDARIDAD	13.505.218	12.612.310	14.820.976	18.840.522	15.105.417
SPARK	3.154.533	3.463.940	7.080.788	5.840.659	6.320.738

Organisation	Income own Fundraising				
	2007	2008	2009	2010	2011
AGRITERRA	117.503	36.359	41.507	5.832	
CARE NEDERLAND	1.951.013	2.362.803	2.555.988	2.929.878	2.887.261
CORDAID	38.082.000	38.402.000	41.778.000	34.322.000	37.419.000
FRES	641.319	9.364.999	1.179.594	437.988	1.081.977
GOEDE WAAR	156.235	139.666	75.218		
HIVOS	1.202.000	1.358.000	1.383.000	1.395.000	1.516.000
ICCO	344.711	318.404	201.043	239.457	240.190
ICS	2.657.135	2.214.023	2.325.194	1.944.026	1.811.217
IICD	1.429.815	1.042.458	1.438.909	527.535	119.682
NIZA	438.441	501.751	621.919	516.972	605.500
OXFAM	28.299.000	28.224.000	28.346.000	28.807.000	27.724.000
SOLIDARIDAD	3.967.652	4.350.492	3.734.673	4.057.959	4.734.759
SPARK	451.727	390.641	176.033	56.012	89.082

Organisation	Grants from Government				
	2007	2008	2009	2010	2011
AGRITERRA	10.150.724	15.851.536	19.446.924	6.348.153	
CARE NEDERLAND	26.109.539	11.239.180	9.545.098	15.810.756	13.015.856
CORDAID	129.862.000	125.030.000	130.211.000	104.037.000	51.350.000
FRES	152.888	92.462	1.330.961	1.703.160	68.613
GOEDE WAAR	332.429	117.746	60.000		
HIVOS	95.969.000	89.715.000	112.147.000	68.344.000	91.043.000
ICCO	102.335.037	135.131.749	132.867.147	94.134.930	62.572.752
ICS	5.446.714	6.010.681	5.967.406	6.396.482	8.365.233
IICD	4.569.197	4.538.097	4.597.164	5.740.797	8.548.677
NIZA	6.910.615	4.909.146	2.346.561	1.937.254	2.155.940
OXFAM	129.013.000	136.677.000	135.793.000	100.403.000	66.548.000
SOLIDARIDAD	7.017.327	7.280.123	10.483.062	12.916.719	8.850.674
SPARK	2.696.740	3.059.293	6.880.078	5.765.195	6.214.600