

## Social Enterprise Models as Key Drivers for Community-based Agriculture

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The first question is, “What isn’t working today? Why is mainstream development not working?”

For the last 50 years we have had community-based agriculture being driven by governments and it hasn’t worked particularly well in Africa. We have had a lot of problems with corruption, undemocratic governments, political interference, mismanagement, overbearing bureaucracy. We have parastatals and marketing boards. We have a centralized and top-down approach to pushing development through. There are frequent changes in power which, although good from the democratic perspective, from a policy perspective does not always work very well. We have a very poorly motivated, poorly remunerated civil service. For all these reasons, community-based agriculture in my part of Africa hasn’t worked particularly well.

Over the last little while we have seen the donors coming in with their own specific agendas. They have worked over a very similar timeframe. They have had good successes in some areas and these have been fantastic while the funding lasted. When the money disappears things begin to deteriorate very quickly. There are some interesting models emerging but I haven’t seen anything that makes me want to jump up and shout out in joy. It is going to take a while before we get to that stage.

They are primarily driven by donor cycles and that is the biggest weakness in the way things are working forward. With respect to market linkages, I can walk you through projects across East Africa where donors have come in and set up projects for communities—but they haven’t figured out that if you can’t turn it into money, the communities aren’t going to move further any more quickly.

The transfer of projects to communities has also been very poorly handled. It has been incredibly clumsy and things have not done particularly well once the donors have exited.

The private sector, on the other hand, hasn’t had a very good reputation of pushing forward community-based agriculture either. Their focus has always been on large-scale production. Working with small-

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scale farmers has always been deemed inefficient; it wasn't seen to be profitable for business in the long run.

Still, I think the private sector is always being given the black eye. I come from the private sector, by the way, so I have a different perspective on all of this. There seems to be a lot of suspicion by the non-governmental organizations, various government agencies, and I think it is about time to begin distinguishing what private sector actually means. There are multi-national corporations; there are indigenous and national businesses—I represent an indigenous business from Kenya. There are local medium, small, and micro enterprises as well. I think we need to start talking about those businesses and what they have to contribute.

So what is the alternative vision? I think we have to look at social enterprise models as a key driver for sustainable, community-based agriculture, both in terms of biodiversity conservation and poverty reduction.

What are these social enterprises? Right now it is sort of a basket that is used to categorize anything that defies conventional compartmentalization. Any organization that doesn't make any sense to anybody is referred to as a social enterprise. They call us "social entrepreneurs" because they can't figure out what else to call us.

These organizations are emerging because there is a need for them. The traditional models aren't working, so these odd little organizations are emerging all over the place because there is a need for them. They defy the traditional compartmentalization between development sector and private sector. At some point a line was drawn that indicated: "You are either this or that." The question we are asking is, "Why can't we be both?"

Most of these social enterprises use a triple bottom line approach. For those of you who are unfamiliar with the term, it is basically trying to generate environmental, social, and economic values simultaneously. It is possible to do this and this is what we are trying to do in many of our own special kinds of ways. They are profit driven; at least in my case it is profit driven. So the incentive to always find and drive efficiencies; and to move things forward in a way that makes sense is of paramount importance to me. And, of course, making linkages to market is my number one priority.

I'll give you some examples. You can write them down and think about them; maybe you can find information about them. There is Irupana in Bolivia, there is Hagar in Cambodia, Streetwires in South Africa, Gone Rural in Swaziland, Chef in Kenya, VegCARE in Kenya, Cemex in Mexico and, of course, there is Honey Care in Africa.

Social enterprises are emerging from a convergence of formerly separate models. On the left hand is the traditional non-governmental organization, receiving 100 percent of its funding from development agencies. For whatever reason, donor priorities are changing—Iraq is more important than Africa, that sort of thing—so funding is not what it used to be. And now these NGOs sometimes resort to very simple fundraising activities—the “bake-sale” approach. You know, “Buy some cookies and we can try to build a well in Africa,” or whatever the case may be. More and more, they have to look for more ways in which they can raise their own funds. This is causing a certain commercialization within the NGOs in my part of the world. The International Finance Corporation at the World Bank recently acknowledged this and has decided to call these entities “grass-roots business organizations.”

From the right hand side you also see the transition in terms of how businesses have been operated. They have moved away from being compliant, basically following the laws and regulations—paying your taxes and keeping your head down. They are moving toward being a little more responsive. They listen to what the stakeholders have to say and they try to do as much as they can within reasonable expectations. Then you have the businesses that are a little more engaged. They actually offer quite a lot more than simple corporate responsibility.

Honey Care Africa was established in 2000. It is a private sector organization with an explicit sustainability agenda. Our objective is very simple: use better beekeeping technology to improve rural incomes, to empower women and youth, and to promote bio-diversity conservation. We are a fair trade organization—we are members of the International Fair Trade Association—and we are committed to triple bottom line value generation. I think we are probably best described as a social enterprise. We try to combine the best of the NGO world and the private sector at the same time. We are profitable and viable. We are currently operating in Kenya and Tanzania and hope to move the operation into Uganda by December of 2005.

While designing Honey Care we tried to figure out why things weren't working. The donors have been working with rural communities for a very long time with very little to show for it. The private sector has been engaged with the rural communities for a very long time and it can always turn into an exploitative relationship. So I thought to myself, “Why can't we bring the three together to see what happens?”

This is really what Honey Care is all about. It is a synergistic win-win partnership, so that everyone gets out of it what they want. There are very specific rules about what each party's responsibility is to the other two parties, governed by a memorandum of understanding. There is a

system of checks and balances, provided by the donor of the micro-finance institution, to ensure that we as a company don't get greedy and at the same time that the farmers actually live up to their commitments.

We have worked with about 20 different international organizations. None of these people actually fund my organization. They don't subsidize my expenses. Their sole responsibility is to provide loans and micro finance to the communities we work with. We also work with about 250 community groups—women's groups or youth groups, and whatever else they may be—and of course with the governments of Kenya and Tanzania.

So what does Honey Care actually do? What we do is manufacture Langstroth hives. We go out and conduct demonstrations at the village level to show people how they works. We conduct agro-ecological assessments to make sure the place is viable for beekeeping. And then we try to do the most important thing, which is linking the small-scale farmers to where the money is. So we write proposals and try to get funding to them. We also provide three days of training; extension service and technical support at the community level; extraction and collection of honey; cash payment on the spot to the farmers; and make deductions from farmers to repay their loans to donors. Of course, we also process, pack and market the honey for a profit.

Honey Care has 48 full-time staff. We have disseminated information about our company to 15,237 people. We have placed 19,000 hives. Forty-two percent of our beekeepers are women. Over 7,500 households are now involved with honey production, earning approximately \$200–250 a year from this. And so on and so forth.

I think that obtaining start-up capital was probably the biggest problem that we've had to face. We had to do what everyone else does—go out and borrow money from friends and family to find ways to start our business. In 2004 we were able to work with the grassroots business organizations and they provided a loan of \$500,000 to build up our operations in Tanzania.

Of course, getting the staff was a big challenge: we had to do a lot of intensive training. Project modelling and designing has always been a big challenge. We would go out to try different things and find out what actually works. Government interference was a big issue initially: the government preferred the Kenya Top Bar Hive over the technology we tried to introduce.

I'll skip through some other things, but there are two points I can't skip. The first is the transition from entrepreneurship to administration. I think that after a while you just need to get out of the way—beyond a

particular point, you need to hand your organization over to the people who can actually run it and move things forward.

The second thing, and probably the biggest challenge for us, is balancing the commercial with the social. Every single day I make decisions that make no commercial sense. If I wanted to be a large-scale commercial honey producer I wouldn't be working with small-scale farmers with less than two acres of land, who live far away from any road, and have no communication and no infrastructure. It is a decision we have taken because we believe that is the only way things will move forward. I have been incredibly fortunate because I have two partners who just believe that it's the right thing to do.

You have to ask yourself, "How are you going to move from the fringe to the mainstream?" First you have to prove that what you are doing is scaleable and that it is replicable. If you can't go out and prove it, as we have done in Tanzania and are hoping to do in Uganda, you don't have much of a case to fight. You still look like this little niche organization. So my priority is to get this done over and over again in other countries.

The second thing, and most important, is to start engaging the mainstream private sector. You have to show them that this makes a lot of sense. If they see the viability of it they will start listening to you a lot more carefully. You have to have clear numbers: social, environmental, and economic indicators; financial operation parameters. I think that, for me, is of paramount importance.

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