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BEYOND PROFIT E-MAGAZINE

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focus on latin america





Boy outside home, Ourika Valley, Morocco, by Imran Oomer
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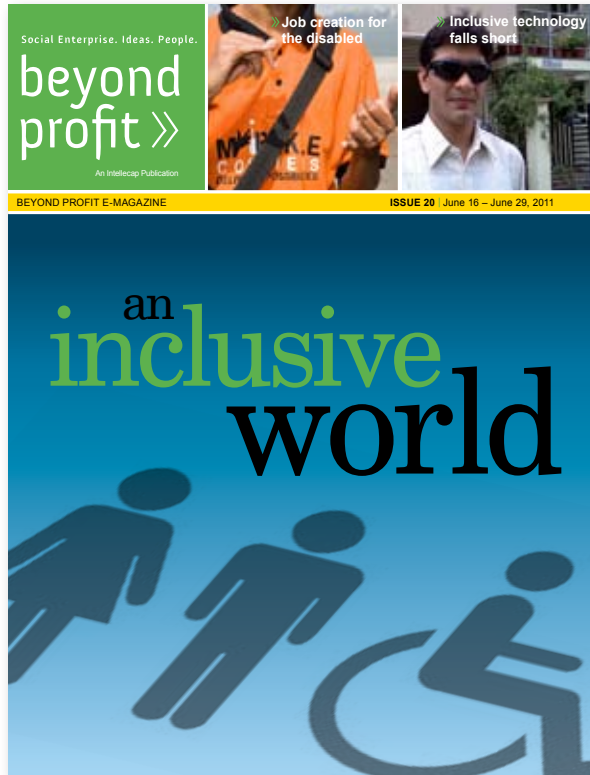
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“Well written. Information give is very precise and to the point. Wish you all the best.” (“Technology is a Game Changer for Persons with Disabilities”, E-Magazine, June 16 - 29, 2011), SS Kapoor via beyondprofit.com



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Igniting the spark
Entrepreneurs face common challenges to growing an idea into a profitable enterprise. Three successful social entrepreneurs offer their insights to Beyond Profit.

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Main Image: Boy outside home, Ourika Valley, Morocco
Top Left Image: Julieta Villacana
Top Right Image: Rainforest Expeditions

editor's letter

When someone says Latin America, the first things that come to mind are likely to be Carnival in Rio, cocoa, coffee, Machu Picchu, maybe even the infamous late Pablo Escobar.

Which is why we decided to devote this issue to things that Latin America is not exactly famous for, but is in need of – social enterprise. Indeed, while most of the world is looking to Africa and Asia for the latest developments in that industry, Latin America is taking small but significant steps towards building institutions to buttress social enterprise.

In the cover story, Abby Callard looks at what is going on in the socent space, and how a few companies are making a difference, including one that has developed a mobile phone application that allows small shopkeepers to track their inventory, one that uses bamboo to build resilient structures for schools and living quarters, particularly in areas affected by natural disasters. Additionally, there are institutions – including a state-run one – that are helping social enterprises acquire the skills and funding to run their businesses.

But social enterprises can't grow until they have an environment that is conducive, and our Top 5 section lists the easiest countries in Latin America to start and run a business, while noting the challenges as well.

Indeed, Latin America might just be the easiest place to start a business, as the 2011 Grant Thornton International Business Report finds, with a business optimism score that puts it ahead of North America, Europe, and even the Asia Pacific regions.

We also look at the rainforest – yup, that's another thing that comes to mind when you say South America – and how social enterprises might play a role in preserving them using an eco-tourism approach. Turn to our Spotlight section to read how it is done.

And don't forget to write back to us with your feedback, your opinion, or just anything you want to say, at ideas@beyondprofit.com. Or you can say it on our Facebook or Twitter pages, too.

Tanmaya Nanda
Managing Editor

latinamerica's socents poised for flight

While most of the social enterprise and impact investing spotlight remains on Africa and South Asia, Latin America is making its own strides to develop a solid foundation in the industry.

By Abby Callard

» While the term social enterprise seems to be picking up steam worldwide, much of the focus remains on Africa and South Asia.

There are many reasons for that, says Mark Hand, an investment analyst with First Light at **Grey Ghost Ventures**. The language barrier, cultural and political differences all play a part in why Latin America has been slower to attract attention than others.

“What we’ve seen in the impact investing space, especially the kind of venture funding circles that we swirl around in, is that people overlook Latin America,” he said.

William Portilla, a senior loan officer with **Root Capital** – which has operations in Latin America and Africa – says that developed countries have a “stronger strategic political interest” in Africa and South Asia than they do in Latin America.

“The money that is most commercially minded is most drawn to India. The money that is most charity minded is most drawn to Africa,” he said. “In that spectrum, that leaves few people that are operating in Latin America.”

For its part, Grey Ghost has a few investments in Latin America, but Latin America represents a

“much smaller percentage than other regions.”

On the flip side, though, many impact investors operating in Latin America focus exclusively on that region. **Agora Partnerships** is one example.

Founded in 2005 and headquartered in Washington, D.C., and Managua, Nicaragua, Agora has helped 25 small businesses get more than \$2.5 million in funding—including more than \$1 million from foreign investors. More than 4,000 entrepreneurs have attended Agora’s educational events in Nicaragua, and more than 400 small businesses have received business advice.

Ricardo Teran Teran, co-founder and Managing Director at Agora Partnerships, says that the sector is growing in Latin America, and the term “social enterprise” is starting to be better understood despite the varied definitions. In fact, Agora prefers to call its entrepreneurs “impact entrepreneurs” instead of “social entrepreneurs.” But, Teran says, no matter what you call it, the concept is catching on.

“I think the use of business as a force for good, and the application of a business model to

» InVenture



Unreasonable Institute

Shivani Siroya started InVenture, an equity-based investment and technical support platform, to address the “missing middle.” The company began a program in Mexico last fall and plans to launch a program in Chile this fall. InVenture allow online supporters to achieve social and financial gains through principal repayment and profit sharing. InVenture recently announced that it would move away from a traditional non-profit model to a hybrid model.

» Clínica del Pie



Agora Partnerships/Kristin Finn

This foot care clinic is run by husband-and-wife team Roberto Mejia and Zayda Rivas. Opening with one clinic, there are now three outlets, and the team hopes to make the clinic a national brand. Six years ago, the clinic received a loan for \$2000; today, they estimate the business to be worth \$500,000.

address social concerns – the two conceptualizations of social enterprise that I best understand – are definitely starting to be known,” he told Beyond Profit. “It will take some time to move away from what has become traditional belief that attacking these social problems is done only by governments or NGOs (non-governmental organizations) who get financing from international financial institutions or international organizations.”

“Social enterprise is still relatively unknown in Latin America. People tend to confuse it with Corporate Social Responsibility or sustainable development/micro enterprise,” said Katie Storey, Director of Communications at NESst, which works to solve critical social problems in emerging

market countries by developing and supporting social enterprises that strengthen civil society organizations' financial sustainability and maximize their social impact.

“(There is) Also confusion around social entrepreneurship which is solving social problems in an entrepreneurial way versus social enterprise which is the creation of a sustainable socially driven business, (which is) NESst's focus.”

At the Ground Level

Despite its infancy, however, there are standouts within the social enterprise space in Latin America.

“There are many social enterprises that are implementing successful ideas that have been done in other parts of the world and doing it directly or indirectly with some larger organizations,” said Teran. “This is a great way to reduce the time to market, leverage existing know-how and centralize management and information systems. Having said that, there are some awesome models being developed in

Latin America that I think can be scaled to the rest of the world, and these have a unique opportunity to define what social enterprise looks like coming from our region.”

Both Hand and Teran point to **Frogtek**– which earlier this year won the award for the best smartphone application that benefits women at the bottom of the pyramid (BOP) at the Mobile World Congress – as an example of a successful social enterprise emerging from the region.

Frogtek developed a point-of-sale application called Tiendatek for mobile phones to help small shopkeepers with their finances and inventories.

With Tiendatek, transactions are recorded at the same time they are made instead of doing it manually at the end of day.

Another enterprise making strides is **CO2 Bambu**, a for-profit social enterprise using bamboo as a sustainable building material for pre-fabricated, low-cost housing, rural schools, and emergency shelters in disaster areas such as Haiti.

» VegyFrut



Agora Partnerships/Kristin Finn

Starting in 2006 with just three members, VegyFrut produces high-quality, fresh-cut fruit and vegetables that are locally sourced through women-run co-operatives. VegyFrut also provides information to local farmers to help them diversify and improve their produce. Today, VegyFrut employs 20 people as well as sources from more than 45 farmers.

CO2 Bambu works with NGOs and international organizations to develop low-cost pre-fabricated houses for areas in Haiti. In Nicaragua, it is completing a project funded by Spanish NGO Junta Andaluca to construct 84 houses in the Rosita municipality that was badly hit by Hurricane Felix in 2007.

Additionally, CO2 Bambu has designed a bamboo school that meets the requirements of the Nicaraguan Ministry of Education and will be implemented to reduce the deficit of schools in rural areas.

Building Capacity

While an enterprise success story can do much to inspire future entrepreneurs, organizations working to build the foundation of the sector and provide community, advice and capacity-building are needed.

Hand points to three “hubs”

that are developing the space: **New Ventures** in Mexico, **Start-Up Chile** and Agora in Nicaragua.

New Ventures, an initiative of the World Resources Institute, operates worldwide and has been active in Mexico for over a decade. It focuses on green businesses, with portfolio companies that work in biodiversity conservation, water management, natural resource conservation, energy efficiency and pollution and waste management.

Start-Up Chile is an initiative of the Chilean Government with the stated goal of ‘converting Chile into the innovation and entrepreneurial hub of Latin America’. What’s unique about it is that it aims to attract foreign entrepreneurs to bring their ideas to Chile, giving a \$40,000 subsidy last year to 23 teams from across the world.

From 2006 to 2010, Agora ran the Launching New Ventures in Nicaragua program that provided enterprises with strategy consulting and technical assistance. The Agora Accelerator program aims to relieve bottlenecks in the pipeline between entrepreneur and funding.

How to Strengthen the Sector

In many respects, the Latin America market faces the same challenges as the more developed social enterprise sectors in Africa and South Asia: access to funding, scalability and sustainability.

“The key will be figuring out the two-headed monster of sustainability (enough cash-flow to cover costs and be able to reinvest) and scalability,” said Teran. “Eventually, you will see, I think, what will look like a wave of mergers and acquisitions, where players will join forces and consolidate themselves, some will disappear, others will get stronger, and I don’t think this is a bad thing.”

Storey of NESst said there continues to be the lack of an enabling environment for social enterprises. The sector is further hobbled by the lack of long-term funding, a paucity of capacity-building, unrealistic impact expectations from donors, and the lack of financial instruments, including soft loans and equity.

“Social enterprises are not on the radar of most donors,” she said.

A few things that can strengthen the sector, Hand says, are local seed stage funds as well as local groups of angel investors.

“There’s a general lack of early stage investing in the region and in a lot of ways, the development of [commercial investments] would do a lot for the development of early stage impact investing,” he said.

Teran sees potential in both new technology and the youth in the region.

“Technology innovation is being harnessed by the private sector and civil society to lower costs and increase the quality of services,” he said.

He thinks that eventually, as the sector grows, we will see the region’s top talent seeking out opportunities in the space as you currently see in both Africa and South Asia. **22**



Rainforest Expeditions

A tourist group takes a boat ride in Tambopata.

>> In 2008, the Tambopata region of southeastern Peru – located in the southwest Amazon eco-region and the Tropical Andes biodiversity hotspot – boasted 37 ecotourism operations based around the Tambopata National Reserve.

Industry in the area traditionally revolves around slash-and-burn agriculture, cattle ranching, Brazil nut extraction, timber extraction, alluvial gold mining and private reserves, but the area is increasingly taking advantage of the ecotourism market – estimated by a 2010 report at \$28.8 billion a year in developing countries alone.

The report, titled **The Market Triumph of Ecotourism: An Economic Investigation of the Private and Social Benefits of Competing**

Land Uses in the Peruvian Amazon, addressed the question of whether ecotourism was the best possible use of land, using Tambopata as a case study.

It found that the net present value of ecotourism-controlled land is higher than all currently practiced alternatives. The authors concluded that ecotourism is the “single most valuable use of tropical forest” in the area.

One such ecotourism company is **Rainforest Expeditions**, which has been active in the region for almost two decades. The firm takes 13,000 people to the Amazon annually through three lodges: Posada Amazonas, Refugio Amazonas, and Tambopata Research Center.

“Essentially, the business side is ecotourism, Amazon immersion expe-

rience,” said co-founder Kurt Holle.

But the company takes it one step further. Its **Posada Amazonas** lodge is jointly owned by Rainforest Expeditions and the Ese-Eja community of Infierno. The partnership started in 1996, and the lodge opened in 1998.

The local community owns a 60% majority stake while the remainder is held by Rainforest Expeditions. The company and 10 community representatives meet every month to discuss operations. Holle estimates that 80% of the jobs created by the venture are held by community members.

“We connect our business operations with our communities,” he said “We lease it from the community; we manage it with the community.” ☐

top 5 latin american countries for business ease

The **Doing Business 2011: Making a Difference for Entrepreneurs** report ranks 183 countries on nine parameters: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. *Beyond Profit* looks at the top five Latin American countries for doing business.

By Abby Callard



latinamerican business outlook

In 2011, for the first time, the Latin America region topped the **Grant Thornton International Business Report** on business optimism.

By Abby Callard



If the economic story of the last decade was about the BRICs ... the next decade will be about Latin America.

Ed Nusbaum, CEO,
Grant Thornton International



>> Latin America topped the business optimism chart on the 2011 Grant Thornton International Business Report (IBR) with +70%, a statistic that is significant when compared to the score of other regions – +50% in Asia Pacific, +26% in North America and a mere +22% in Europe.

The annual IBR report, which surveys 11,000 businesses in 39 economies, measures the percentage balance of businesses that indicated optimism against those that indicated pessimism in a survey. The highest score a country

can receive is +100%; the lowest, -100%.

The top country this year was Chile with +95% – Chile also topped last year's results at 85%. Other top countries

in Latin America were Brazil with +79%, Argentina with +70% and Mexico with +64%. Brazil is also among the four fastest growing developing economies in the world, the others being Russia, India and China, collectively referred to as the BRIC countries.

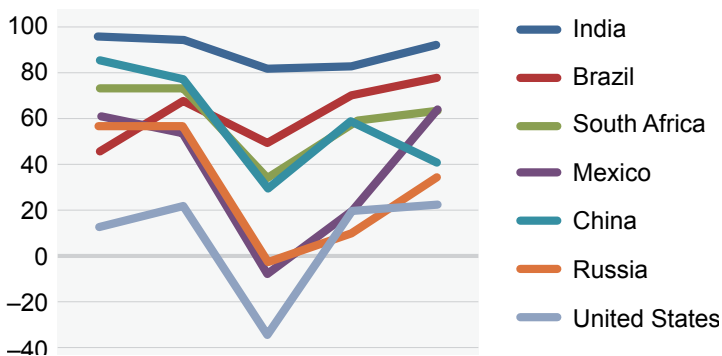
By way of comparison, India

scored +93%, South Africa +64%, China +42%, Russia +35%, the United States +23%, the United Kingdom +8% and Spain -50%.

"The region as a whole is expected to see GDP growth of around 4% in 2011 and if the current business confidence translates to widespread, sustained growth, the next decade could see Latin America truly realize its potential," said Ed Nusbaum, CEO of Grant Thornton International. "If the economic story of the last decade was about the BRICs, these results suggest the next decade will be about Latin America."

Brazil recently won its bids to host both the 2014 FIFA World Cup for soccer and the 2016 Olympics. The effects from those events are impossible to ignore, Nusbaum said.

"The success and growth of Brazil has a big impact on its neighbors. The country's sustained economic growth, which is forecast by the IMF to be 7.5% for 2010, is buoying the region and spreading optimism to neighbors in Chile, Argentina and Mexico," he said. "These events will provide a real economic boost for all of Latin America and that has undoubtedly translated into a sense of confidence and optimism." 



building **hub** spaces

Pablo Handl, Co-Founder of the HUB São Paulo (Brazil), and Julieta Villacaña, Coordinator at the HUB Oaxaca (Mexico), share their experiences and views on the social enterprise landscape and its future in both countries.

By Nisha Kumar Kulkarni

 **What is the state of social entrepreneurship in your countries?**

JV: The scene of social entrepreneurs in Mexico is gaining momentum, but in Oaxaca, the term itself is not well known. The people who work for social transformation [do] not yet see clear value in social entrepreneurship, as [the] idea of being able to live [off] social transformation is still under discussion and [a] conflict within organizations and among traditional activists, [who] have [spent] more time working [towards] change, at least in our state.

PH: The ecosystem around social entrepreneurship in Brazil is rich and reaching a new level of sophistication. However, there is a weak legal framework and public policy support for entrepreneurs. The investment landscape is not ready to invest in ideas yet. Most investments are made in up-and-running social enterprises.



Pablo Handl

What areas of engagement are among the more popular?

JV: The most popular areas for social action remain the philanthropic and charitable activities, such as rehabilitation of children with disabilities or food banks. The most important need is to combat poverty through the promotion of productive projects, employment generation and community initiatives. Oaxaca has good examples, as [with] the case of **Pueblos Mancomunados** of the Sierra Juárez, who have taken advantage of their natural resources sustainably for the benefit of their communities for over 20 years.

PH: Popular areas are education,

health, security and community organizing. However, I recently learned from **Teto para meu país**, an exceptional NGO that has its origins in Chile, that in Brazil we still have millions of families who live in inhuman conditions. Habitation is an area that needs urgent intervention.

What were the challenges in starting and maintaining the HUB?

JV: Our biggest challenge has been to adapt the European model of the HUB to Latin America. It was a difficult job to get people to recognize the value of working in a shared space, as our culture does not see much value in networking efforts. We have tried to address this

challenge by giving importance to personalized and customized advice and monitoring, accompanied by members of our community and its links with other members.

PH: Our first challenge as a HUB was to prove that the concept of a social enterprise is worth prototyping. Against most recommendations, we opened a simple limited company with a social purpose. Soon, we realized we have made the right choice, being able to access a variety of [financing] such as angel investments, loans and recently even equity to expand our business model.

What was the thinking behind bringing it to your country?

JV: Oaxaca is a place with many opportunities for social work, as we are the poorest state in [Mexico], and we have the lowest educational levels. There are a lot of people and organizations working to find solutions to these problems, but most are disconnected from each other, which [means] their actions do not have the impact due. Start[ing] a HUB in Oaxaca was able to bind people who normally would not work together, as their areas of action are not, in principle, related.

PH: [In 2005,] I decided to try my luck and bought a one-way ticket to São Paulo. I felt that it was not a city; it was a country and



Julieta Villacaña

it was fragmented. There was no culture of inter-disciplinary or inter-cultural sectorial innovation happening. I heard about the HUB from friends who lived on London, and Maria Glauser came to São Paulo. We asked people ‘What’s your dream, project and business? What do you need to make it happen? Could the HUB be the place for that could support you?’ After two weeks Maria left and I continued asking these questions to over 200 people [over] 12 months. I found out what people really needed to make things happen was courage and peer support.

How large are your operations?

PH: The HUB space offers a home for 200 entrepreneurs and innovators. All of them participated in some form of activities the HUB developed, such as the start-up lab or the HUB school.

JV: We are the first HUB in Mexico. We have a year and a half operating [in the] space and forming our community. The HUB is not an incubator for social enterprises.

We make connections and advise our members on their interests. However, we are not in charge of making and incubat[ing] projects to takeoff or consolidation.

How has the HUB affected the social enterprise landscape in your country?

JV: At the moment we don’t have the biggest impact, even though we have begun to generate further discussion, to show new ways of doing things, creating spaces of trust for community work.

PH: We have been among the first to create a company instead of an NGO (non-governmental organization) in São Paulo and resisted most recommendations to open an NGO. We have crowd funded part of our needed investment, from donations, social loans and bonds, and we have brought equity investors all in the same company. Therefore, the HUB sees itself as a pioneer in bringing awareness that it is possible to consolidate a variety of investors and business models in a social enterprise. 

wheeling in health

A mobile hospital business model in Brazil shows it is possible to provide high quality, specialized healthcare to the bottom of the pyramid.

By Nisha Kumar Kulkarni

» According to the **Government of Brazil**, the country's most serious health threats are childhood mortality, maternal mortality and non-communicable diseases. Under Brazil's 1988 Federal Constitution, all citizens are entitled to free medical assistance at the point of need from both private and public healthcare providers. However, the country's healthcare system is such that private sector players manage the majority of medical services, including government-subsidized in-patient care.

As with other developing countries with sizable populations, Brazil's public healthcare system is overburdened. A short-supply of doctors, medical equipment and medications have created a healthcare crisis wherein patients find themselves waiting months and in some cases, years, for appointments and complicated procedures.

It was the state of Brazil's healthcare system that inspired Dr. Roberto Kikawa, a renowned gastroenterologist in Brazil and 2011 **winner** of "Social Entrepreneur of the Year," to launch his social business called **Projecto CIES**, which provides affordable



Dr. Roberto Kikawa accepts the 2011 Latin America Social Entrepreneur of the Year Award from the Schwab Foundation.

healthcare by offering free services in 10 different medical specialties to low-income communities via a mobile health center.

The mobile hospital is not a new concept, but Dr. Kikawa has designed an innovative business model that seems to be working. Generally, other "hospital in a van" services in Brazil are focused on providing medical services in only one particular specialty, which may or may not serve the main medical concerns of a community. They also are not able to provide long-term, low-cost care to the bottom of the pyramid.

What makes Projecto CIES unique is that it subscribes to a self-sustaining shared management model whereby the provided

medical services are based on Brazil's national healthcare system, and the model complements existing government programs. Each mobile hospital is equipped with advanced technology to facilitate different services. Through questionnaires and physical examination results, the mobile hospitals profile local healthcare systems, the results that are then used to develop a specific health management strategy for that particular community.

To date, Project CIES has been able to serve more than 24,000 people in 15 cities across three different Brazilian states, and medical vans have been sold to other countries in Latin America and Africa. **DE**

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