

## **Creating Barefoot (Social) Entrepreneurs To Eradicate Poverty**

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Good morning. It's good to see all of you.

Will you please put up your hand if you're from an NGO? Anybody from business? What about from government?

Will somebody tell me what a social entrepreneur is? Is it some guy who likes to go to parties? Somebody sociable? Was Mother Theresa a social entrepreneur?

I would like to talk to you about a topic I call "Creating Barefoot Entrepreneurs (in this case 'social' in brackets) to Eradicate Poverty", with the help of the business sector. Let me move into why I believe we need to do this. Previously, we have been trying to eradicate poverty. Look around Thailand, Philippines, Asia, and everywhere- we have not been able to eradicate poverty.

The reason is because previous attempts have looked at the poor in a very narrow dimension. We say, "You're poor, we're very sorry, and we want to help you. We want to help you by using government officials and welfare approach." What's that? That's the wrong approach- the wrong doctor with the wrong medicine. This is not to suggest the government is doing all wrong. The government can do many things. They can do roads, airways, airlines, health centers, and so on and so forth. They can even provide some pretty decent basic services. But infrastructure and social services alone cannot lift the poor out of poverty. It cannot eradicate poverty.

The reason is very clear. This welfare approach has not worked because it breeds dependency. It does not foster new skills, and therefore, it's just not sustainable. Nowhere in the world has the government, through its bureaucracy been able to eradicate poverty.

However, there is a way out, if we look at the poor in another dimension and ask- "what are the poor doing". And we will find out that some of them grow vegetables, raise chickens, sell some wool. What are they doing? They are engaging in business just like everyone. They're trying to make a profit. Unfortunately, they make little profits and sometimes don't make it at all.

They remain poor. Why do they remain poor? There are two reasons only: 1) they lack business skills or lack the opportunity to learn business skills, and 2) they are unable to borrow money in the regular market or have poor access to credit. These two problems can easily be solved without much effort by bridging resources from the business sector.

I believe that this is something that we have to understand- that only the business sector can get the poor out of poverty. The governments have not. This needs to be recognized. It's only the business sector, with the help of the NGOs as the partners in communities, and some government cooperation, can get the poor out of poverty.

I believe that governments, development organizations and donors need to realize this and involve the business community in a poverty reduction endeavor and give them nice tax incentives and recognition. That's the only way to get the poor out of poverty. The business community can give help very easily without using too much effort. What we need for the business sector is knowledge and some skills, connections, markets, some in-kind donations and some cash, and some time from the staff. The business person is the right doctor. The business approach is the right medicine.

The only road out of poverty is through business. And we have to make the business sector realize that if they want the poor to get out of poverty, they have to help. These are what the business sector should do:

First, set up a fund to assist NGOs and CSOs to generate profits for the poor by hiring some experts and consultants to establish their legal entities, access loans for start-up capital, start a business, and generate profits for the poor. After some time, the NGOs will not need them anymore, and they can manage by themselves.

Then, the NGOs will have to turn these poor into barefoot entrepreneurs. Then later on, with the help of business people, they can become social entrepreneurs- giving part of their newly-found incomes to societal needs of their villages. We don't fund their own activities because we cannot support them forever; we don't have enough money. We have to let them grow their own money and let them become social entrepreneurs who are happy to create a voluntary "social tax". You can also call it another term, I call it "social capitalism" or capitalism where everyone can become a mini-capitalist. When there are many mini-capitalists, you begin to help society.

These are the things that ought to be done, and I believe these can be done with the help of the business sector. The government sector can sit and just not get in the way, and recognize these businesses by giving them nice tax incentives.

Let me now give you a few examples of what have been done by the business sector in trying to eradicate poverty.

### **The School Forest and Village Bank**

Basically, a village approaches a company and asks the company to participate- the villagers provide labor and the company provides some cash. They plant trees. Every tree is worth \$1. The money goes to Village Bank. Nobody charges anything at all. Everybody participates in planting trees [refers to tree planting photo in a tsunami area that resulted to 20,000 trees planted, equivalent to \$20,000 into the Village Bank]. You are now creating the micro-credit fund. This is operated by the villagers themselves, not

by outsiders. These banks are very easy to find at the village levels; there are no problems similar to the city level where many rich people are crooks. Here the poor are very honest, and they run the banks extremely well.

They plant different varieties of trees like bamboo, Jatropha (a very good source of diesel and organic fertilizer). The Village Bank operates with 50% women in the elected banking committee; not like the gender proportions in government and business sector.

Participants to the project use bank books. They deposit money and earn interests from it. Every time you borrow, 5% of what you borrow becomes your equity instead of 10% to the bank manager as the regular banks charge.

The forests are being cared for by the students, by the school, including parents. The profits from the bank are used to fund social activities in the village (e.g. school lunch, uniforms, health care). So it becomes sustainable. Simple businesses financed by the Village Bank started blooming (e.g. vegetable programs, ice cream, motorcycle repair). Company staff also give additional project ideas that the bank can fund and implement.

The project also improves existing products and creates new businesses. For example, production of Thai silk and turning them into scarves, tartans, and flags. Part of their current strategy is the eye-opener trip, where they tour business people to the villages to explore potential enterprises. Before, farmers plant corn and make little income, while some business people sell cars. Now, they are partners in growing trees and selling them to golf courses and highways, and exporting to Hongkong and Taiwan. These people now send their daughters to master's degrees. And these are all borne from an idea of people who knows little about trade but knows where to look for answers.

### **Water for Health and Wealth (Village Piped Water System)**

Initially, people conceived of water projects for health. Then they thought, "what good will it be to have water for people or water for health if you have an empty stomach". So they decided to do both- Water for Health and Wealth. They observed there were companies producing water and making plenty of money and figured they can do it, too.

The project was conducted in partnership with PVA, the organization I've worked with for the last 35 years that has been implementing piped water systems at about half the price lower than the government's charge.

Labor is supplied by the villagers to keep the cost low. Every household is required to have a vegetable garden to increase income and pay for water systems. Their incomes increased from \$40/month - \$100/month. New crops were also planted, such as flowers that were sold to university graduations, and even asparagus exported weekly to London.

Water fees are not free, but these are lowered. Monthly water payments contribute to establishing the Village Bank that will provide capital for business loans.

### **Access to Credit as a Human Resource (A Positive Partnership Project)**

If people are poor, they have to get out of poverty and do business. And to do that, access to credit to do business must be a human right.

In this project, loan is given to an HIV positive person but they must have a partner who is not infected- together they do business, starting with a \$600 loan. The non-infected partner has the responsibility of changing attitude and behavior, creating understanding in the village (economic empowerment and reduction of discrimination). This is in recognition that people with AIDS suffer discrimination, and many of them have lost their jobs.

Among the businesses established through this project are: laundry services, fruit stall, internet café. This now being written as best practice story by UNAIDS. We are now expanding into partnerships with handicapped and non-handicapped, widowed, orphaned, formerly jailed, elderly, former sex workers. The principle behind is the drawing of somebody weak and somebody strong (same principle with joint ventures of developed and developing countries).

Many new village entrepreneurs are encouraged to give back to support community needs. For example, the stock exchange in Thailand from this year on is allocating minimum of 1/3 of its profits to charity/charitable causes through NGOs and other organizations. So we're suggesting these people start in the villages. We've also pooled budget for the tsunami area (people now just recently went up and up to the people in the north who were flooded and was landslided).

So we expand from one social entrepreneur to several barefoot entrepreneurs, some of whom become social entrepreneurs.

### **Creating New Democratic Rural Institutions: (The Village Youth Council)**

Youth ages 14 to 24 years old are elected into the Village Youth Council and practice democracy, transparency, and gender equality. They initiate business ventures for the youth and the elderly. They also prepare project proposals and seek funds. They know how to look for funding. We teach them to start making money while they're young, not when they're old and unemployable. They are our new hope- today's agents of change and tomorrow's honest leaders.

We train these young people and urge them to run for local government. What happens is everyone we trained has been elected. Now they are running things in local government very differently and with a very different attitude, even in the tsunami area.

We can get rid of bad politicians by improving the new generation. This is beginning to happen and this should happen. We need to have new programs; maybe The Shwab Foundation can help sponsor then we can go to all schools in Asia to teach kids the joy of doing public good.

Finally, while I said we can turn villagers into barefoot entrepreneurs we need to do the same thing for NGOs. We cannot afford to survive by living through the generosity of others forever. Our parents cannot help us forever, so how can any wonderful donor do that to us. Let's be realistic both from the donors' angle and from the NGOs' angle.

There are three sources of funds we can work on: 1) traditional donors, 2) corporations, and 3) creating our own businesses, separate legal entities and pay taxes.

Imagine if Warren Buffett will put half of what he promised into a special organization/special fund that will help establish businesses for NGOs. Imagine how much money can be made in three generations from those funds and those investments. Warren Buffet could be a very small person in terms of funds thirty years from today.

That is where I would like to stop and put the ball into your court and see what I can do to try and answer your suggestions and your comments. Thank you very much for the honor of allowing me to be with you this morning.

### **Open Forum**

*On how "cabbages and condoms" work in the case of PVA* – Dr. Viravaidya remarked that in the Philippines, this is known as "the birds and the bees" adding that he heard that the Pope who is German is considering saying that they use condoms to prevent disease but not for birth control.

He explained that there are two separate arms: an NGO (established in 1974) and a business arm with separate legal entity and separate money (established in 1975). He said they knew they could not expect that donor to supply money for their NGO. So they decided to start the business. The plan was to use the profits from the business to give to the NGO when it needs money.

They didn't use the NGO money to start the business, they borrowed it. With \$60,000, they started business and used the profits of Business No. 1 to start Business No. 2 to 3, and they now have 16 different businesses (e.g. hotels, resorts, restaurants, factories, transportation services, food line, research, training, construction, real estate, manufacturing companies). They classified these companies as business for social progress (doing business with the sole purpose of using money to: 1) keep and reserve to expand the business or 2) to give to a charitable cause. He added that shareholders only get to go to heaven, they do not get the profits. Several people would like to invest in it because they get to give it to an organization, the profits stay and grow.

The difference with this strategy is that the NGO can start a new activity or idea without needing to wait for approval from the donors.

According to Dr. Viravaidya, they are taxed in the same way as McDonald's is taxed. They don't get special treatment just because their business provides social support. He said that taxes can be minimized, e.g. the NGO staff can be placed into the company payroll. There's no need to worry about paying taxes. Each year, they can supply up to about \$4M to their NGO. In some years when the NGO doesn't need it, the business arm uses the money for reserve and business expansion.

*On developing appreciation to young people in rice producing communities who leave their towns because they refuse to be rice producers - (Among the challenges encountered by FSSI recently is the shift of interest of the farmers' children from rice production to doing other things. As intervention, FSSI designed modular machines which turned out to be unsustainable because these are fuel-dependent.)*

Dr. Viravaidya shared lessons from his experiences:

- 1) *Get the businesses to go down to see how the farmers see it.* - They have started a rice college (funded by a petroleum company) where they train farmers on every aspect of rice production from land preparation, to harvest, and to products (i.e. ice cream, milk, biscuits) which they can sell at the petroleum gas stations as samples.
- 2) *Ask businesses to take the machines to people instead of bringing in people to the machines.* He compared this to the rampant migration that is happening to the Philippines; several people leave their families to work somewhere far. He said this destroys the social fabric. In one of their projects, around 59 companies have joined them in bringing machines to the countryside for people to operate so they don't migrate from countryside to the city. Now people there are earning PhP7,000/month and using their earnings in the agricultural sector. They also provide training for new occupations and new jobs to make them stay at home. He also suggested looking into opportunities, like buying cheap second-hand printers for production of digital photographs which will entail training and providing job opportunities for young people and producing goods at lower cost. He noted that somebody's junk can be somebody else's joy.

He said that they are currently training secondary school youth on business and marketing. They also encourage them to start businesses and inculcate the value of self-employment rather than waiting for someone to employ them.

Dr. Viravaidya also pointed out the importance of getting people who were poor to help those that are still poor. He said they make good advisers because they remember how it is to be poor.



***On what businesses are looking for when they fund NGO projects*** – Dr. Viravaidya said most companies are very straightforward in saying what they do. However, the NGOs can always change their demands by giving them something sensible. He noted three important key messages to the business sector: 1) Only you can do what you are doing (lift the people out of poverty), 2) What you are doing is earth-shattering, and 3) The resources you provide are growing.

Getting the business sector to be involved is never easy. The NGOs who are willing to do it will have to be patient.

***On engaging with the business sector for certain ventures*** – Studies commonly find that there are trust issues between NGOs and business sector, which render their engagements difficult.

Dr. Viravaidya explained that they have partnerships with local and multinational companies. The issue on mutual distrust will have to be cleared up at the onset of the partnership. From their experiences in PVA, they do not wait for their business partners to declare corporate social responsibility. Instead, they suggest it to them soundly, stressing the role of the business sector to help generate resources for the villagers. They also make the villagers work more closely with the business sector. For example, the villagers themselves do their proposals and clearly express it as invitations for the companies to join them in a joint venture rather than ask for money. The message is – “You have money, and we have some things that are just as good as money- that is we have labor and good intent”.

He said that they have had many experiences with different companies. He cited one company which seemed very good at first, but later turned out to be dishonest in their statements to the public so they had to tell the company that they didn't want to work with them. There are also many good companies that NGOs can work with. NGOs can pick and choose.

***On the principle behind and the success rate of the strategy on building partnerships between an HIV positive and a non-infected person*** – Dr. Viravaidya said the organizing committee of the conference can note his request for information. He can send the details and a copy of the best practice book (when it is ready) to the participants.

The rationale behind the strategy is that many HIV positive persons are suffering from discrimination- many have lost their jobs, and are suffering from economic, psychological and physical illnesses. Most of them want to die but they cannot die quickly.

At first, assistance was provided for their physical illnesses then economic needs. It was good, but this did not solve the discrimination problem. They expanded the strategy to deal with the aspect of people's worth because sometimes families

and relatives of infected people are also affected. Finally, they expanded the project to also try to get rid of discrimination.

They worked with the hospitals, who talked to the patients in behalf of PVA, in looking for non-infected partners that the HIV positive patients trust to be partners with. It turned out that 46% are their relatives, 24% are their neighbors, and the remaining percentage is siblings and friends. So far, there had been no cases where an HIV positive patient cannot find a partner. If in any case they cannot find one, the organization will work with them in finding one. They provide trainings when the recipient needs to be trained.

The loan fund is paid by 84% of the borrowers, and the rest are delayed but very, very few are non-performing loans. The repayment rate is higher than the regular banking system.

Dr. Viravaidya said that this has rated the happiest project they have done because it does not only get the people out of poverty, it transforms people who want to die to people who want to live. Now they are actively participating members of their communities.

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\* Dr. Menchai Viravaidya is a prominent social entrepreneur from Thailand. He was the recipient of several awards including the 1997 United Nations Population Award (UNPA) in recognition of his most outstanding contribution to the awareness of population questions and to their solutions. He was also awarded the 1994 Ramon Magsaysay Award for Public Service in recognition for his mounting creative public campaigns in Thailand to promote family planning, rural development and AIDS prevention.

Dr. Veravaidya is a public servant and a social entrepreneur who was entrusted with government enterprises including the Telephone Organization of Thailand (TOT) and the Petroleum Authority of Thailand Exploration and Production Public Co. Ltd. (PTTEP). He remarkably held top government positions that include being a Senator in the National Assembly of Thailand and Minister of the Prime Minister's Office from 1991-1992, responsible for Tourism, Information, Sports, Economic Cooperation, Zoological Gardens and Aids Prevention Coordination. Moreover, Dr. Viravaidya is a recipient of several honorary degrees including that of community development and medicine.

He is also the Founder and Board Chairperson of the Population and Community Development Association, the group that successfully implemented country-wide reproductive health program in Thailand. Dr. Viravaidya delivered his Inspirational Talk to the International Workshop on Social Entrepreneurship in Asia through video conferencing.