

From Divine Chocolate to Liberation nuts

SOCIAL ENTERPRISES BRIDGE THE TRUST GAP

by **Severine Chavanne**



Dr Bob Doherty (above), head of the business school at Liverpool Hope University, told how social enterprises are transforming the lives of farmers in developing countries, when he addressed a Greencoat Forum on 'The role of social entrepreneurship in tackling poverty' on 17 May.

He was speaking in IofC's London centre alongside Gavin McGillivray, head of the Private Sector Department at the UK's Department for International Development (DFID), and Tania Ellis, a specialist in social business trends and author of *The New Pioneers*.

Doherty had worked with two fair trade farmer-owned social enterprises—Liberation nuts and Divine Chocolate where he had been sales and marketing director for five years. His first visit to a remote farm in Ghana had had a profound effect on him, showing him how he could make a difference in the world, he said.



Divine Chocolate is 45 per cent owned by a farmers' cooperative in Ghana and works in partnership with London-based Twin Trading. Its unique ownership structure allows the farmers to be involved in decision-making and marketing. 'The farmers can see themselves in the product and they are proud of it,' Doherty said. It was a 'bean to bar' story.

Profits are invested in development projects including community infrastructure, healthcare, and clean water. There were other benefits too: Ghana's population is composed mainly of small farm holders living in village communities; young people try to escape their fate of becoming cocoa farmers by migrating to the cities. The development of the cocoa market in a fairer way encourages them to stay.

Liberation is 42 per cent owned by nut producing cooperatives on three continents. This wide network of partners gives the enterprise a strong position on the supply chain. It also allows the people involved to exchange information about pricing and product quality. This had two consequences: first, the whole sector is changed, including the behaviour of consumers, raising the level of quality that they expect; secondly, the added value generated by the brand itself goes to the farmers as share owners in the enterprise.

Fair trade social enterprises needed to develop quality brands that appealed to consumers, Doherty said. It was important to work with investors who shared the mission of trade justice such as Comic Relief and Twin Trading, ready to back this process. He highlighted the importance of consumer activists and campaign organizations such as Christian Aid in promoting fair trade.

Lack of infrastructure

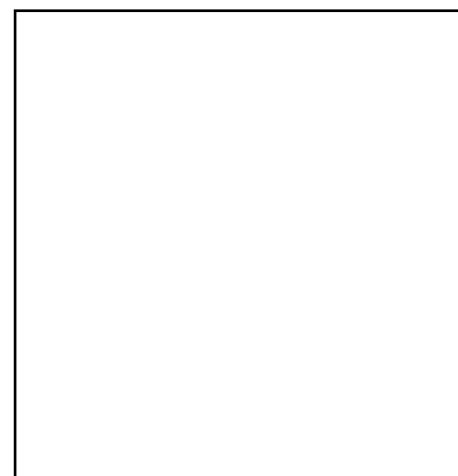
McGillivray defined social enterprises as ventures that generate both social and commercial returns. He said that trust was fundamentally important in such projects and appreciated IofC's emphasis on trustbuilding.

Social enterprise backers included members of cooperatives, consumers and investors looking to get more than just money. He emphasized that successful social enterprises needed stable and conflict-free host countries, with a functioning state and administration, educated youth and decent infrastructures. These were

challenges for poor countries, which often lacked electricity, clean water and roads, he said.

DFID invested public capital to reduce the risk created by lack of infrastructures. 'We spend a lot on building effective and functioning public services and education.' This was the role of the Private Infrastructure Development Group, publicly capitalized but privately run.

'We encourage big and medium companies to do business in ways that benefit poor people. It's about making the markets work for the poor, helping them train their people, building their capacity and reaching out.'



'The financial downturn has widened the trust gap between business and people,' asserted Tania Ellis (above). Bridging this gap had encouraged companies to invest more in their social dimension, 'allying sustainability and meaning', she said. 'Companies realise they need to operate with more than one bottom line and integrate social and environmental issues as part of their development.'

Doherty said that fair trade was 'a market response by consumers disagreeing with the rules of the profit-only game.' The social sector was now a third alternative, along with the public and private sectors, which 'reconfigures the value chain'. The next step for social enterprises was to keep adding value in the country of origin and develop local markets, as well as global ones.