

How to Increase the Efficiency of Social Enterprises in Russia During the COVID-19 Pandemic?

Ruslan Pavlov

Central Economics and Mathematics Institute of the Russian Academy of Sciences,
Moscow, Russia

pavlovru@mail.ru

Abstract: The paper considers the examples of economic activities of social enterprises during the COVID-19 pandemic. It is shown that often social enterprises are more effective than common enterprises in their responses to the processes caused by the COVID-19 pandemic. A model of interaction between different actors enhancing the efficiency of social enterprises in Russia by means of providing the continuous source of cashflow is provided. At the macro-level of this model it's necessary to mention such institutions as the Ministry of Finance, because it is engaged in planning and controlling the process of public procurement activities, The Public Relations Committee, as it provides subsidies to nonprofit organizations and social enterprises based on the competition rules and the Public Chamber, as it is engaged in distributing the Presidential Grants to nonprofit organizations and social enterprises. The institutions that provide financial help to social enterprises in the range of 1 to 50 million rubles belong to the meso-level institutions in this model. They consist of the Moscow regional division of the All-Russian Popular Front, the charitable foundation KAF, the fund "Our Future" and the company Unilever. At the micro-level of this model there are two institutions: Impact Hub Moscow and Awesome Foundation. A contact should be set between these organizations to exchange the experience in the area of supporting social entrepreneurs and attracting the micro-grants of Awesome Foundation as the supplementary sources of support for the winners of the competition held by Impact Hub Moscow. This system should be balanced by setting direct contacts between each institution at the respective level so that it could enable these institutions to act effectively at each level of that model. First, we should conclude that these institutions should not act as isolated units. They should be implemented into the system of different actors supporting social enterprises, along with such potential investors as private sector companies and microfinance institutions. Second, these actors should interact in such manner that enables a cooperation between them. Conclusions refer to how these institutions should be arranged to make a system of interconnected units supporting social enterprises at three levels.

Keywords: social enterprise, COVID-19 pandemic, innovation, private sector.

1. Introduction

Nowadays the problems caused by the COVID-19 pandemic become very urgent, because almost all the sectors of national economies are influenced by this phenomenon. Social enterprises are often treated as efficient tools in the struggle against pandemic. It is sufficient to present just few examples concerning the role of social enterprises in the fight against COVID-19 to exemplify their ability to overcome the difficulties caused by this phenomenon.

So, for instance, now different reports suggest the distribution of counterfeit medications is on the rise, filling gaps in the market caused by production delays in India and China. Innovators that provide quality-assurance services can help providers and consumers validate the authenticity of essential goods. For example, the RxDelivered platform in Nigeria connects pharmacists and consumers to a network of licensed wholesalers and manufacturers, from which they batch-certify product quality prior to delivery. This social enterprise has reported a tenfold increase in week-on-week customers, which it attributes to a growing demand for authenticated masks and medication (Staples et al., 2020).

Another example is connected with the social enterprise Root Capital, which works in the most remote communities of Africa, Latin America, and Indonesia. Working with socially-minded enterprises across its global network, over the last several months this enterprise has been able to deliver services and much-needed supplies (face masks, soap, medicine, and more) to hundreds of thousands of rural families (Foote, 2020).

The third example is connected with Amazon Conservation Team, which is filling a public service vacuum in highly remote indigenous communities of the Amazon. Among other things, they are translating public health information into native languages and sharing it through radio and WhatsApp, channels that they know indigenous communities utilize. Social entrepreneurs are ready, able, and willing to reach underserved

groups—in many cases, they already have reach into these communities. By leveraging those connections, they can help flatten the disproportionate impacts of the pandemic.

The fourth example is connected with YouthBuild USA that tackles a systemic challenge: the estimated 4.5 million young adults aged 16-24 in America that were neither in work nor in school even before COVID-19 hit. Between February and June of 2020, the rate of “disconnected” youth (out of work and out of school) more than doubled making YouthBuild’s work even more vital. According to John Valverde, YouthBuild USA’s president and CEO, young people who graduated in 2008 during the Great Recession “were just starting to recover when COVID-19 hit.” Projections already indicated that these youth had lost a third of their lifetime earning potential. Now, says Valverde, “not only will they be further set back, but young people graduating in 2020 will experience the same, if not worse, impacts. That’s why YouthBuild has shifted its model to focus not just on building jobs and skills, but on the mental health and wellness of its students—and on creating strong community connections that can help young people weather the storm of COVID-19” (Foote, 2020).

The last example deals with Citizen Schools, another social enterprise focused on young adults, which is tackling the pandemic-related challenge of students’ education and wellbeing in the age of distance learning. According to Emily McCann, CEO of Citizen Schools, “Citizen Schools is mobilizing volunteers to offer additional support to middle school students across the country in ways that are engaging, joyful, and skill building” (Foote, 2020). The organization’s COVID-19-related innovations also include virtual “apprenticeships” in which students work with volunteers to solve authentic community problems in small groups; one-on-one and small group tutoring in English, math, and science; and Career Connection Conversations that allow students to indulge their curiosity and build their social network.

2. Who helped social enterprises in their struggle against COVID-19?

The COVID Response Alliance for Social Entrepreneurs was founded in April 2020 by 60 leading organizations to help mobilize support for social entrepreneurs and to raise awareness of the vital role they play during the crisis and beyond (COVID Response Alliance for Social Entrepreneurs, 2020). Here 6 cases concerning the role of members of the COVID Response Alliance for Social Entrepreneurs in the struggle of social enterprises against the COVID-19 pandemic will be considered.

The first case is connected with Family Independence Initiative (FII). Founded in 2001, FII provides families with direct cash transfers, a digital platform and peer groups to accelerate the exchange of financial and social capital in low-income communities across the USA. FII has collaborated with over 250 community-based organizations to help families escape the cycle of poverty. Through the GiveTogetherNow campaign and the UpTogether platform, FII raised over \$100 million and provided direct cash transfers to over 100,000 low-income families who were struggling to make ends meet and to care for their loved one. The Alliance member involved into its activity was Schwab Foundation for Social Entrepreneurship. This organization is collating all the information that may be of use to social innovators from external sources, including access to financial support, access to legal resources and access to technology.

Another example is connected with Instituto Muda. Established in 2007, Instituto Muda provides recycling collection services in residential areas, companies and schools around São Paulo. It allocates more than 300 tons of recyclable materials per month to cooperatives that employ people living below the poverty line. During the COVID-19 pandemic Instituto Muda stepped in to provide the cooperatives not only with financial help to pay their workers to support their families, but also with a supply of masks, equipment and disinfectant gel. The Alliance member that was involved in this process was Yunus Social Business. This organization turns donations into investments in sustainable Social Businesses that provide employment, education, healthcare, safe water and clean energy to over 9 million people worldwide. As well as finance it provides growth support to help its Social Businesses create the most social impact possible.

The third example is connected with Praekelt, a mobile technology company that harnesses the power of communication between patients, health workers and the health system to ensure that patients are informed and empowered; health workers are supported and valued; and health system officials have the information they need to make informed and effective decisions to improve service delivery and quality. During the COVID-19 pandemic with countries and organizations experiencing a massive need for direct communication of reliable information, Praekelt partnered with the World Health Organization and WhatsApp to develop the

WHO's global public health WhatsApp information tool for citizens. In addition, 11 national health systems, primarily in Africa and South-East Asia, launched local versions of this service. These solutions provide citizens and health workers with reliable, up-to-date information and relevant services related to COVID-19 and are reaching over 20 million people in 20 languages worldwide. The Alliance member that was involved in this process was Johnson & Johnson. This company is delivering critical support for communities and health workers on the frontlines. In March 2020 the Johnson & Johnson Family of Companies and the Johnson & Johnson Foundation committed \$50 million dollars to support frontline health workers—from meals to protective equipment, extra training to mental health. This commitment expands upon a \$250 million multi-year commitment the company made earlier that year to support those at the frontlines guided by the Johnson & Johnson Center for Health Worker Innovation.

The fourth example is connected with Jan Sahas, a 20-year-old community organization working with excluded social groups on safe migration and workers' protection in 14,000 villages and urban areas in 57 districts in India. In response to COVID-19, Jan Sahas provided food to over 420,000 migrants, 11,000 personal protective equipment kits, and emergency transportation to 17,000 migrants and their families. It is now launching a grassroots-led collaboration with approximately 80 partners to ensure the safe, responsible recovery of migrant families and their livelihoods post-COVID. The Alliance member involved in this process is Ashoka that is helping small and medium-sized enterprises resist the economic effects of the crisis: using social media to promote businesses and advertise their services at a low cost and reach a new pool of potential clients.

The fifth example is connected with Eneza Education, which provides SMS-based learning to students who do not have access to a classroom or need additional support. In the wake of COVID-19-related school closures, Eneza Education leveraged strategic partnerships to open its platform without charge to learners in Kenya and Côte d'Ivoire, reaching 2.2 million learners who do not have steady access to the internet with its USSD/SMS-based learning resources. It has now launched its platform in Rwanda to serve users in that country. The Alliance member that was involved in that process was Sorenson Impact Foundation. It was founded by James Lee Sorenson, who was intrigued many years ago with the idea of finding market solutions to meet the needs of underserved communities and since then he has established the Sorenson Impact Foundation, which invests in scalable, innovative social entrepreneurs.

The last example is connected with Barefoot College Zanzibar, which is a joint venture set up in 2015 by Barefoot College and the Government of Zanzibar. Barefoot College Zanzibar has been training women solar engineers, women beekeepers and women seamstresses for five years. At the start of COVID-19, the Government of Zanzibar turned to Barefoot College to provide personal protective equipment to more than 70 communities on the island. Its community outreach team educated communities with the result that the incidence of community transmission was cut by more than 80%. The Alliance member that was involved in that process was Catalyst 2030. It is a special platform for redesigning the way of supporting social enterprises. It invites the funding community – including philanthropists, foundations, impact investors, corporate donors, government agencies, and multilateral organizations – to fundamentally rethink and redesign the way systems change approaches are being supported.

3. Why social entrepreneurs are needed now more than ever

Social entrepreneurs have been working to solve market failures and demonstrate sustainable models to build inclusive economies for years. These entrepreneurs bring vital products and services to those on the fringes of society, while acting as first responders during a crisis and sustain jobs and social security at a time, when the effects of losing one's income can be particularly devastating. Moreover, social enterprises typically create jobs for local people, resulting in direct and indirect impacts on the local supply chain and broader economy – all of which is viewed very positively in the current economic environment (Galbraith and Molinari, 2014).

The Schwab Foundation 2020 Report entitled "Two decades of Impact" demonstrates how its network of 400 leading social innovators and entrepreneurs alone have improved the lives of more than 622 million people in over 190 countries by protecting livelihoods, driving movements for social inclusion and environmental sustainability, and providing improved access to health, sanitation, education and energy (Schwab Foundation..., 2020).

When COVID-19 brought disarray to communities across the world, and social entrepreneurs everywhere instantly assumed first responder roles. From providing reliable information, services and care to the most vulnerable to developing community tracing initiatives or mental health support through mobile phones, the work of the social entrepreneurs became even more critical during the pandemic.

Over the last few months notable stories of social entrepreneurs who have gone above and beyond their regular mandates have emerged. Many chose to maintain jobs through the pandemic despite their halting businesses, while those in a position to do so provided last-mile support – for example by delivering essentials like masks and sanitizers to those unable to afford the bare minimum to keep themselves safe. Their existing relationships with low-income customers or beneficiaries and the trust they had built on the ground positioned them well as early responders to the pandemic.

The need for social entrepreneurs is clearer now than ever before. They are a crucial social safety net for our systemic inequalities and market failures. The social entrepreneurs who are “system change leaders” have an especially invaluable role to play in triggering a reset of today’s markets and societies. They have managed to enable whole groups of society to become agents of their own change and have effectively managed to navigate the complex arrangements of institutions of power (COVID Response Alliance for Social Entrepreneurs, 2020).

Social entrepreneurs are uniquely positioned to represent a new yardstick for leaders in the 21st century. Their knowledge, experience and existing on-the-ground infrastructure can play a vital role in revitalizing the sustainable development agenda and building more inclusive, shockproof and resilient markets and societies.

Yet, many social entrepreneurs face significant and immediate operational and viability challenges and need backing. Significant capital and non-financial support are vital to put social entrepreneurs in a position to effectively protect the most vulnerable in the crisis and help shape the transition to a new social and economic reality.

4. What should be done to enhance the efficiency of social enterprises in Russia during the Covid-19 pandemic?

Here we should provide a model of possible interaction between different institutions supporting the development of social entrepreneurship in Russia. At the macro-level of this model we should mention such institutions as the Ministry of Finance as it is engaged in planning and controlling the process of public procurement execution, the Public Relations Committee of Moscow as it provides subsidies for non-profit organizations and social enterprises on a competitive basis and the Public Chamber of the Russian Federation as it is engaged in providing the Presidential grants for non-profit organizations and social enterprises on a competitive basis also. The nature of these institutions as macro-level ones can be explained by the scope of their activity: it should be the policy held by these institutions at the country level or at the Federation subject level.

The institutions that provide the financial aid to social enterprises in the range of 1 to 50 million rubles belong to the meso-level institutions. According to this criterion, we should refer the Moscow Regional Department of All-Russian Popular Front, the charity foundation KAF, the fund “Our Future” and the company “Unilever” to this group. So, for instance, the first of these organizations distributes grants among non-profit nongovernmental organizations, according to the dimensions determined in the President's decrees and orders. The amount of one grant for realizing a project is not more than 1 million rubles. The fund KAF is engaged in distributing grants among the winners of the competition “Creating possibilities”, the participants of which apply for the projects aimed at creating and developing the possibilities to realize the potential among socially excluded people (retired people, adult people with disabilities on hearing and vision) or at increasing the availability of the environment. The fund “Our Future” is engaged in supporting social entrepreneurs, according to three dimensions: the All-Russian competition “Impetus of good”, the All-Russian competition of projects “Social entrepreneur” and the competition “Direct investment into social entrepreneurship”. The first of them presents the selection of winners for the contribution for development and promotion of social entrepreneurship. The total amount of the premium is not less than 1,6 million rubles. The second of them presents a competition among the representatives of small business solving some problems in the social area that need some funds to launch or to develop their project. The fund provides the

interest-free loan in the amount of 10 million rubles to them. Finally, the third of them presents acquiring a share in the charter capital of the company-winner of this competition at the sum of 50 million rubles (Tsygankov, 2019). The competition “Lipton Goodstarter” held by the company “Unilever” presents a choice of the most worthy among different socially useful projects that have a commercial potential. The winner gets a prize at the sum of 300 thousand rubles (Tsygankov, 2019). One should set a horizontal link between these institutions, and that means that these organizations should exchange experience in the field of expertise of socially valuable projects, and in the case of necessity they should set a system of mutual financing on the credit basis, and that would be very relevant in the period of crisis.

At the micro-level of this model there are two institutions: Impact Hub Moscow and Awesome Foundation. Impact Hub Moscow presents a platform for establishing contacts between social entrepreneurs and potential investors. Also this organization is holding a competition among young social entrepreneurs that are not elder than 30 years old, the winners of which get a premium and the ability to go to Vienna to the meeting with the winners of the competition from other countries. Awesome Foundation presents an international organization that provides micro-grants to social entrepreneurs in the amount of 30 thousand rubles. One should establish contacts between these organizations of micro-level to exchange experience in the field of supporting social entrepreneurs and attracting micro-grants of Awesome Foundation as supplementary sources of financing for the winners of the competition held by Impact Hub Moscow.

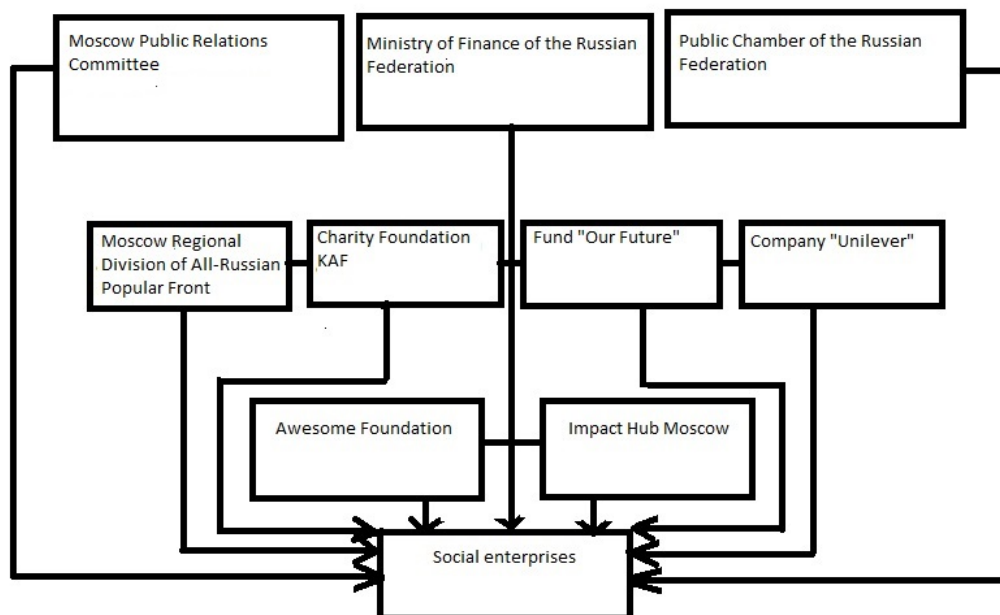


Figure 1: Interaction between different elements of the support system for social enterprises in Russia

As it was said before, Instituto Muda stepped in to provide the cooperatives not only with financial help to pay their workers to support their families, but also with a supply of masks, equipment and disinfectant gel. So, one thing that is suggested by this fragment is that the organizations that support social enterprises should provide them with financial help and something else in order to diversify their supply.

This model of interaction between different institutions supporting the development of social entrepreneurship presents a model of institutional support of social entrepreneurship adopted to the Russian conditions. As the formation of such institutions as the social stock exchange and the transparent microfinance market requires too much time for establishing and development, one should focus primarily on the institutions that are in effect now. All the institutions that are reflected in this model are already present in the Russian economy as the instruments of supporting social entrepreneurship. Though there is no mutual coordination and mutual exchange of experience and financial resources between them. This theoretical model has to fill this gap in some way.

5. In conclusion

So, we have considered the processes of interaction between different institutions supporting the development of social entrepreneurship in Russia, and also a model of possible interaction of several institutions as the catalysts of efficient development of social enterprises was provided. As the examples provided in the second section of this paper suggest, such institutions of support for social enterprises can take the form of establishing offices with this as extra-task/duty. Or those solutions can have the form of annual meeting of funding and funded pairs, organizing a research project in order to get the best interaction solutions, web platforms dedicated to such interaction, discussion forums on the subject, proposals for various funding institutions to sponsor together the same event in the benefit of social enterprises, etc.

All the arrangements in the foreign countries are held at the expense of the government as the main factor of supporting social enterprises. Thus, in Russia also the care of social entrepreneurship should be the prerogative of the government, as the result to which such policy leads is rather substantial and significant for the development of social sector. Especially it should be taken into account in the Covid-19 era, when social enterprises demonstrate the efficiency that is higher than that demonstrated by the ordinary enterprises in the process of struggle for security in the environment of spread of the new coronavirus infection.

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