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## Market-Oriented Development

Blog Post *by* Guest Blogger for Isobel Coleman

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Most non-profit organizations working in developing countries are typically underfunded in relation to the scale of the major problems they aim to solve. Government budgets are tight; ideas change about what aid really works; and private philanthropists can be impatient. But a new approach to development aims to solve this chronic frustration. Some NGOs are rethinking their operations and reorganizing to become more financially self-sufficient and serve their missions more sustainably.

The basic idea is that organizational success emerges best when organized “bottom up,” that is, by individuals who take the initiative to solve the problems they know best. In a social mission, this approach involves innovators perceptively observing needs and optimal channels for reaching them.

To encourage this type of thinking, the Alliance for Global Good launched its Innovation Fund in 2011 to “increase nonprofit sustainability by providing venture philanthropy to implement innovations in mission-relevant revenue generating activity.” In 2012 and 2013, professionally refereed national competitions were conducted and grants, with matching conditions, were made to U.S.-based, stable, mid-sized nonprofits working in developing countries. Each had developed a revenue-earning business plan, but lacked the capital to get started. The Innovation Fund helped them go to market.

Innovation Fund projects span Uganda to Kenya, Vietnam to Bolivia. In the Congo, for example, one organization, Sisters of

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Preliminary results are encouraging, yet mixed. Cyber cafes in the Congo were expanded and soon generated modest, positive cash flow; unexpected competition also emerged. Severe frost ruined the first harvest of organic walnuts, but the training of farmers and the international certification was accomplished for the second year's effort. As Dr. Susan Raymond, Founding Director of the Innovation Fund, points out: "...market skills can be learned, but nonprofits seeking to diversify revenues need to consciously recruit or build those skills."

Some of the new social enterprises will fail. The Economist recently noted: "terror strikes young bosses when their beautiful business plans are shredded by aggressive competitors or by a lousy economy." Failure will teach lessons that the next generation of market-oriented social entrepreneurs will exploit.

Evidence is being gathered on the results of the Innovation Fund's eight grantees. A conference will be held in the fall of 2014 to sort out the evidence, consider benchmarks from the development literature, and publish a summary of the experiences of the initial grantees.

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