

## Rebuilding Ukraine – Helping People to Help Themselves

*The Nobel peace prize winner Muhammad Yunus wants to make poverty a thing of the past. By providing small loans, he fosters the entrepreneurial commitment of underprivileged groups of people. His approach could also be key to reconstructing the Ukraine economy.*

**By Michael Wirtz**

Nobel peace prize winner Muhammad Yunus gave an online seminar at an American university a few weeks ago about the ways in which social business can contribute to fighting global poverty. One of his core theses contained the idea that poverty cannot be eliminated by programmes providing jobs, but by entrepreneurship. What exactly is meant here? Yunus' founding of the Grameen Bank was awarded with the Nobel peace prize in 2006. The Grameen Bank provides microloans (ranging between 20 and 50 Euro) to groups of five women without kinship in order to start their own business. Two of these members receive such a loan at the beginning – if the loans are repaid, the other members receive their credits as well. These women become financially independent by setting up small businesses – they may purchase a sewing machine, a cow or sell vegetables. They receive a new additional loan should they liquidate the previous (roughly 20% interest rate per year). Therefore, these women support each other without being financially liable for one another, resulting in a productive peer pressure that yields a repayment rate ranging well above 90%. Yunus initially handed out loans mainly to men, yet with time it became clear that a lot of them spent the money on alcohol or gambling. In turn, he decided to almost exclusively offer loans to women, who tend to act in the interest of providing for their families.

The women are involved in the Grameen Bank by way of owning shares and only a minor percentage of the bank is owned by the state. In other words, the Grameen Bank is a business serving the public good that may be considered as an incubator for entrepreneurship. Additionally, Yunus founded other social businesses such as the company Grameen Shakti, which offers rooftop solar panels that are financed through microloans (roughly two million thus far).

### **Are all people born entrepreneurs?**

While some sceptics proclaim that only a handful of people have what it takes to become an entrepreneur, Yunus believes that any person can do so, if given the proper infrastructure that

supports the thriving of business. Approximately ten million loan beneficiaries in Bangladesh seem to support such a claim. In the meantime, Yunus transposed the approach of funding groups of five to an American context with Grameen America, a bank that finances roughly 180.000 women in the U.S. with loans of around 2.000 USD each. If Yunus' claim that fighting poverty is most successful by fostering and enabling entrepreneurship, such an approach may also hold true for the current setting of the Ukraine.

### **Charities and social business**

The infrastructure in cities such as Mariupol has been outright shattered. What to do in order to make possible the reconstruction and rebuilding of these spaces? It goes without saying, charities provide people with the most elementary necessities in order to survive. A few years back I conducted research in the form of interviews for my PhD that shed light on the relationship between charities and social businesses. The results revealed that, in case of natural disasters, charities are immensely helpful in providing relief and support, given their experience and their networks; but afterwards social business is a pivotal tool in promoting the reconstruction of a country. Such business models have a social objective, are independent from donations and self-sustaining – such as the Grameen Bank. One interviewee in particular, the social entrepreneur Andreas Heinecke, emphasized: aid organisations and social businesses should not be regarded as competitors, they are in fact complementing one another. He compared them to trees and bees. Large and durable non-profit organisations such as Caritas are able to support social businesses by way of their extensive networks, whilst the entrepreneurial spirit and pitching of new ideas on behalf of social businesses complements the social sector productively. In other words, the social business approach can be immensely useful in the process of a country's recovery: both entrepreneurship and social entrepreneurship should be a part of it.

### **How to make possible the thriving of a pioneering culture?**

A few years ago, David Audretsch, researcher for entrepreneurship, gave a lecture at the University of Wuppertal that explained the reasons for Silicon Valley's incomparable thriving in terms of the resulting start-up scene. Other urban environments were working with similar conditions such as the intellectual environment of a university, yet no comparable ecosystem developed. One of Audretsch's points stuck with me in particular, namely that tech geeks would tend to meet up in the same bars each nights. Through meeting up again their ideas

would thrive during the night, whereas their implementation was reserved for daytime, all the while creating strong social networks. Many German cities have incorporated regulars' tables for upcoming entrepreneurs or for social entrepreneurs in particular. This approach could be applicable to the Ukrainian context, whereby the thriving of a pioneering culture could even be enhanced by the foundation of local entrepreneurship cafés. Additionally, civic co-working spaces free of charge would help provide an environment that supports the thriving of a start-up scene.

Moreover, universities could improve and strengthen their pioneering culture, yet not by offering Bachelor and Master degrees. Many students study subjects during their programs that will not be useful to them in the future; and they have to learn a lot by heart. After obtaining their degree they start applying for a job. In order to foster an entrepreneurial culture, universities should also consider offering more entrepreneurship programs (without degree!), which would entail everything needed by students to become entrepreneurs: contacts with other students (of other fields such as design and engineering), practical skills and even funding. Rather than being 'centres of creativity', many business faculties are one thing especially: a waste of time of our most creative minds. We cannot afford this on a society level either! I recommend any student considering a business degree to visit a pioneering regulars' table; the necessary know-how can be studied additionally. This applies just as much to social entrepreneurs – attending an Impact Hub or the founding of 3zeroclubs would prove a highly useful and productive alternative to the more traditional model. The University of Kiel created a platform called Yooweedoo.org, which provides a free of charge and publicly accessible site with self-learn courses about the implementation of social projects. The so-called 'Changemaker Mooc' teaches users without prior knowledge all there is to know about budgeting, idea design, marketing and more, covering all the main topics for setting up a social business project. Such an online course is also a helpful tool for traditional entrepreneurs in general who are not focus on a social objective – the steps and methods are the same for entrepreneurs and social entrepreneurs. A platform like this in Ukrainian language format could help strengthen the necessary pioneering culture immensely in Ukraine, too. All in all, the concepts of social business and entrepreneurship should play an important role with regards to rebuilding the Ukrainian economy. The solar energy company Grameen Shakti could be considered as one social business template.

## **Investment for social entrepreneurs**

It is worth considering Yunus' advice to set up investment funds that provide capital for social entrepreneurs who only return the initial investment to the fund, even after years, without paying an interest rate. Despite the casualty of depreciation due to inflation, this capital would become available to other social entrepreneurs in turn.

The above mentioned measures would prove useful in fostering a pioneering culture in the Ukraine: a bank such as the Grameen Bank, e.g., Grameen Ukraine; an infrastructure in an urban and university setting that guides and teaches individuals to help themselves. The need to help people to help themselves has proven pivotal in history, one notable example being the Marshall Plan after World War II, supportive of the German economy as well as its posing as a psychological backbone. The timely decision to include Ukraine in the European Union would also be an important measure to provide economic-psychological support! 'Social market economy' after the implementation of the Marshall Plan proved particularly useful in stabilizing Germany. Given the contemporary setting, the eco-social market economy could be a strong concept for the Ukraine in order to guide the country into a prosperous future - with the help of entrepreneurship and social business. The German federal government set up an online portal called "Ukraine-wiederaufbauen.de" just a few days ago. I am convinced that Yunus' convictions regarding reconstruction and development are worth considering, and millions of women in Bangladesh seem to support his claim that becoming an entrepreneur is a possibility for each and every person. Let's make this happen by helping the Ukrainian people to help themselves.

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This article has been published in German in the journal "Forum Nachhaltig Wirtschaften" (04/2023). I want to thank the editor for the permission to publish it in English and Miriam Retter with regards to the translation.