

Mr Microfinance's next brainwave

Muhammad Yunus's latest big idea embodies a contradiction: marrying altruism and self-interest.

Story Nick Lenaghan

Muhammad Yunus is a contrarian. The gentle demeanour of the former academic belies a startling capacity to turn conventional thinking on its head in search of a solution.

Such creative thinking sent the professor down the path of micro-credit as a business-based answer to the poverty faced in his home country of Bangladesh.

The model used by Grameen – the bank he established to handle micro-loans to the poor – is now globally recognised.

Yunus and the bank were jointly awarded the Nobel Peace Prize in 2006. He's known popularly as "the banker to the poor". A better description for the quiet iconoclast might be "anti-banker".

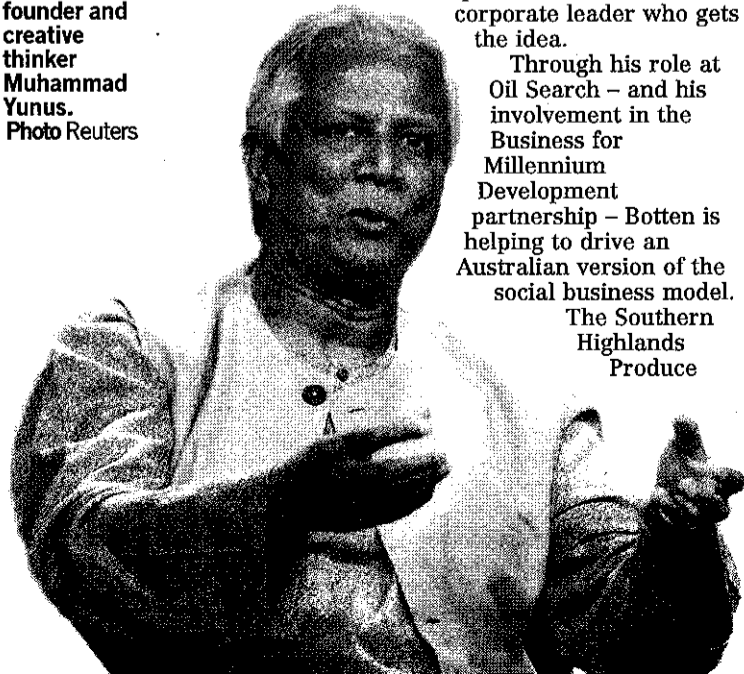
As Yunus describes it, the Grameen model works by inverting most of the basic tenets of mainstream banking – handing out small loans to fund little enterprises run by poor women mostly who have no assets or collateral.

"For conventional banks, the richer you are, the more attractive you are. We reverse that. The poorer you are, the more attractive you are. If you have absolutely nothing, you are our prized client."

Yunus began with a \$27 loan from his own pocket to a group of 42 women in 1974. Since then Grameen, which opened its doors officially in 1983, has lent some \$6.6 billion.

The micro-finance movement he pioneered is gaining a foothold in developed countries. Grameen has opened several branches in the US since 2008. In Australia, the National Australia Bank has been running a micro-credit program since 2003 – and invited Yunus in for some advice while he was here this week.

Grameen Bank founder and creative thinker Muhammad Yunus.
Photo Reuters



On Thursday, Westpac announced its own initiative.

But now Yunus has got another big idea: "social business". It's a simple term that embodies a contradiction, a dynamic marriage of self-interest with altruism, harnessing business know-how to social ends.

Putting aside the philosophy, the Yunus concept has practical applications. Already, it is gaining adherents in Australian boardrooms.

Yunus's flagship social business is a joint venture between Grameen and French food giant Groupe Danone to supply low-cost nutrient-enriched yogurt for Bangladeshi children.

It's run along business lines. The partners do not take profits, instead reinvesting the proceeds.

Yunus happily concedes the ambiguities of the arrangement. Danone gets a nice introduction

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Muhammad Yunus

to a new market and some goodwill branding as a bonus.

"When we did it with Danone, people were telling me, 'Don't you think Danone is using you for this purpose?'" Yunus recalls in an interview with the *Weekend AFR*.

"My reaction was, 'OK, I thought I was using them!' Because I wanted to promote this idea of social business, so the minute Danone did it everyone knows about it.

"Then I said, 'Forget about that. Anybody who wants to use me, I am here to be used. Please use me. For a good cause'."

Oil Search managing director Peter Botten, who oversees a \$US15 billion (\$16.4 billion) liquefied natural gas project in Papua New Guinea, is one corporate leader who gets the idea.

Through his role at Oil Search – and his involvement in the Business for Millennium Development partnership – Botten is helping to drive an Australian version of the social business model. The Southern Highlands Produce

venture piggy-backs on to the new road network being forged in remote Papua New Guinea as part of the gas pipeline construction.

Its aim is to provide employment and opportunity for highland farmers, setting up a logistics network to carry their produce to a ready-made market: the thousands of workers involved in the LNG project.

Australian and multinational firms are creating the supply chain: logistics firm Agility, packaging giant Visy, Goodman Fielder and agribusiness Syngenta.

Oil Search is backing the venture and has a number of its own social programs already – including malaria eradication and HIV/AIDS management. Brainstorming with Yunus this week has given Botten some more ideas.

Botten acknowledges the complexities of social business – characterised by the produce project and existing Oil Search programs – and distinguishes it from the "one-way street" of old-fashioned charity.

"It is a key risk management tool for our business in the country with a great social outcome," he says.

"We don't make a profit out of it but clearly there are independent benefits that might flow to us, and that's why we are very passionate about it and it's a core part of our business."

Botten reckons the concept hasn't quite penetrated into the corporate headspace of Australia, but there is a reservoir of goodwill there.

"There are a lot of people who want to be involved but they've really struggled to understand how they can be involved in a very effective way."

The man who is trying to make that happen is Mark Ingram, who heads B4MD following a business career in trade and then a stint as New Zealand's consul-general in Melbourne.

Already the forum, with Macquarie Group's Simon McKeon as its chairman, has another project it will soon test in Vietnam and the Philippines – the provision of safe drinking water through low-cost pouches.

For Ingram, the strength of the social business model is not just the innovation and market-based solutions it brings to poverty alleviation. It also brings philanthropy in-house, aligning "doing good" with a company's main business. And it gives executives the chance to give back without giving it all up. "You can pause for reflection and stay with the company you are with."

Yunus knows that too. Social business answers the "emptiness" of mere profit-making.

"I would say there is a hunger for it," he says "You want to see that I can do things for the world. I can change the world. I don't have to just sit around and say, 'OK, I will make money'. So what if I make money? I want to be useful to other people."