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Just Business: Susan Davis on Business Solutions to Fight Poverty

[Just Business \(Interview Series\)](#)

[Susan Davis, Julia Taylor Kennedy](#)

January 25, 2011



[Susan Davis](#)

JULIA KENNEDY: Welcome to Just Business, a series of interviews on global business ethics.

Today I'm sitting down with Susan Davis, president and CEO of the U.S. arm of the Bangladeshi non-governmental organization [BRAC USA](#).



[Julia Taylor Kennedy](#)

Davis has a long history with world poverty and world development aid, stretching back to her work for the Ford Foundation in Bangladesh in the 1980s. She has also served as chairperson of the board for the Nobel Prize-winning [Grameen Bank](#) in Bangladesh. Davis has long used business solutions to fight poverty. We're going to explore that concept today.

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Susan Davis, thanks for joining me on Just Business.

SUSAN DAVIS: Thanks. Glad to be here.

JULIA KENNEDY: First, let me ask you a little about Bangladesh. It's home of Grameen Bank and home of BRAC, which is, I was surprised to find out is the world's largest development agency.

Why is this nation such a hotbed of development activity?

SUSAN DAVIS: Bangladesh was actually a new country in 1971, born out of a terrible [civil war between East and West Pakistan](#). If you think about the call to create a new country and to respond to the results of a devastating war, where more than 10 million people had been displaced, 3 million had been killed, and a million women raped, there was a lot to do.

The best and the brightest, the most patriotic young people were called to be of service. If we imagine our founding fathers and mothers, there are some extraordinary people in that pantheon, and Bangladesh is no different.

The [founder of Grameen Bank](#) was an economist. He was a teacher. He couldn't teach the hollow theories about how countries develop when he saw the incredible hunger and famine outside his window.

The [founder of BRAC](#) was the highest-paid executive in the country before the war. He worked for Shell Oil as a chartered accountant. He had a passport for the UK and could have stayed there and been a very comfortable European. Instead, he sold that apartment in London, went back after the war ended, and began a relief operation in a remote part of the country.

I don't think these young people knew what they were getting into when they

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started. I have often called Bangladesh the Wall Street of development. Maybe with the sullied reputation, I'd prefer to call it the Silicon Valley of social innovation. It really has given birth to the most innovative solutions that the world has seen.

Maybe it's because Bangladesh has all the problems there, and it's a small, relatively homogeneous country. But it has been an absolute learning laboratory for ingenious solutions that really draw on the creativity of people, the entrepreneurial ability, and have combined that with the best examples of social entrepreneurship in the world.

JULIA KENNEDY: Tell me a little bit about BRAC. That stands for Bangladesh Rural Advancement Committee?

SUSAN DAVIS: It used to stand, first, for the Bangladesh Relief Assistance Committee, when [Abed](#) first formed it. Then, after he realized it was going to be a longer-term proposition, it became the Bangladesh Rural Advancement Committee. Then, in 1994, they started working in urban areas because of the pressing needs of urban poverty, so they just said, "Well, let's just call it BRAC."

In 2002, after 30 years of working in Bangladesh, they started working in Afghanistan, again haunted by those images of a country on its knees, refugees streaming back in after the Taliban fell and the U.S. had bombed. They thought, "Maybe we can help."

After the [tsunami in 2005](#), BRAC reached out to Sri Lanka and started working in the seven worst-affected areas. Five years later, BRAC is operating a completely sustainable microfinance institution serving over 100,000 women and their families.

It was not a surprise when BRAC got pushed, encouraged, and supported to go have a look at some of the countries in Africa that weren't on track to meet the [Millennium Development Goals](#) and began operations in 2006, just a few years ago. Most recently, we're working in Haiti.

So we only pick easy countries.

JULIA KENNEDY: Yeah, right, the easiest.

With a \$500 million budget and 127,000 employees, it sounds like a major corporation.

SUSAN DAVIS: Yes. In fact, some people have referred to BRAC as the GE of international development. Its current budget of \$500 million is remarkable because it's 70 percent self-generated through the interest payments that those very poor women repay and the profits from the social enterprises.

BRAC has an array of social enterprises that they developed because poor folks have needs. It's complicated to try to solve the problem of poverty. As a result, it requires sophisticated interventions, so you can have a solution the scale of the problem.

When BRAC was giving a lot of little loans to women to be able to raise a milk cow, it realized, after it had maybe 400,000 of those loans, that women could get a better deal if they could sell the milk to a fair business trader rather than a middleman who was exploiting them.

There wasn't a fair trader around, so they decided to create a large-scale commercial dairy, which they did in Bangladesh. They have over 100 chilling stations all around the country. So even if you're in a remote part of Bangladesh, that woman can get probably twice the amount per liter on her milk than what she used to get.

The base is microfinance. That's how we start organizing people, how we get

to know the women, their families, their needs, and the kinds of things they know how to do.

We get to know the market, because we'll work nationally and our staff will be gathering market intelligence about what products are sold, for how much and where. We start looking for the gaps and the opportunities along a value chain where it's possible, if we intervene, that we can end exploitation, improve the returns to people's labor, or provide an input that allows them to be more productive through better seeds. Or we help on the marketing end.

It all depends on the development of that sector in that economy. It's an entrepreneurial approach to development, and it's based on knowing that everybody needs good work. You either need self-employment opportunities or wage employment, and there's just not enough good work to go around. That's why BRAC has to help create jobs.

JULIA KENNEDY: You have demonstrated an interest in the entrepreneurship piece throughout your career.

SUSAN DAVIS: Yes, right.

JULIA KENNEDY: Where did that come from? How did you decide that this is the intervention you want to be involved in to fight against poverty?

SUSAN DAVIS: Just my own personality and temperament has been more on the entrepreneurial side. I really do enjoy the unencumbered freedom that comes from being able to take action.

The space that an entrepreneur has when he or she is trying to come up with an idea and make it happen is much greater than the space that you have if you're a cog in the wheel of some big bureaucracy or taking orders from somebody sitting on your head as a supervisor. Even when I joined large institutions, I tended to always want to carve out a way to be an intrapreneur inside of organizations.

When I had the great privilege to go to Bangladesh with the Ford Foundation, I met [Bill Drayton](#), who is the founder of [Ashoka](#).

He first told me about this term "social entrepreneur" and defined a social entrepreneur as someone who had this entrepreneurial temperament of drive and persistence, and yet was using those skills, not to make money for himself or herself, but to try to solve social problems. The kinds of social entrepreneurs that Ashoka was trying to find were really outstanding people who were looking for large-scale, sustainable solutions.

I heard that and I said, "You mean people like Abed, the founder of BRAC, or [Yunus](#), the founder of Grameen?"

He was, like, "Oh, tell me more."

It was a no-brainer for me, with all the hubris of a 30-year-old giving away somebody else's money in one of the poorest countries in the world, that I should get behind this concept. I gave Ashoka its first grant from a foundation and then got conned into being the volunteer representative, because there was a military dictatorship at the time and they couldn't hire somebody. I was at least smart enough to realize that I should get behind whatever it was that these two great social entrepreneurs wanted to do in their own country.

Microfinance went from being available in 5 percent of the villages in 1987 to, in just four years, 41 percent of the villages by 1990. Today it's available in 99-plus percent, with the ability to actually give women options, give women a choice.

They don't have a monopoly provider of just one microfinance lender. That

competition among providers is part of the secret of real development. It's about giving people more and better choices. They are willing to pay for it, and it enables them to have a fairer deal.

That's what just development is about. If you really look at, how do poor folks not get exploited when they're illiterate and they live in remote areas and they don't have a lot of services—there's no power or energy in, still, a lot of villages in Bangladesh—how do you overcome those disadvantages? Part of it is about social entrepreneurs helping them exercise their own energy, their own choice.

JULIA KENNEDY: In the years since microfinance has hit, there have been a couple of criticisms that have risen to the top. I'm going to mention them and give you a chance to respond.

The first is that not everyone is entrepreneurial, so some of these microfinance loans are actually being used for subsistence, sort of lower-level consumerism. Or, if the person is very poor to begin with, then they need the loan for subsistence.

I'm curious what your response is to that criticism, to say these loans are to spark all these new businesses to promote development, and yet they're being used for food or for a TV even, from day to day.

SUSAN DAVIS: Microfinance as practiced by BRAC or Grameen is not being used for TVs. They are not consumption loans—although money is fungible, and so there's probably some leakage always.

They're income-generating loans. We use the term "Entrepreneur," with a capital E, as a big, fancy term that only a tiny elite have the privilege of being. The way "entrepreneur" was used in the income-generating loan variety is really a respectful term about the resilience of people to create their own options.

She doesn't have the choice to go get a job. Ninety-five percent of people in the U.S. economy get jobs. If it's reversed and 95 percent of the people can't get a formal wage job, what do you do? How do you feed your family? There's only self-employment, wage employment, transfer payments from a government, a dependency on somebody who has one of those three options, or illegal means or desperate means, like selling your body.

The way that self-employment has been married up with microfinance is because it allowed people to actually build assets and savings, and earn more. Self-employment existed always in the informal economy, but it was a very much hand-to-mouth existence. You were dependent on the raw materials from a middleman, so all you could do was sell it back to that middleman. You couldn't save anything. You couldn't build any assets of your own. You never get out of the hole that way.

That's the innovation. Microfinance is a little loan to a really poor person without collateral. If you have nothing, you can't begin to get something unless you overcome that barrier. That's the magic of what Bangladesh did in organizing an efficient way to scale that solution in order to make it sustainable so people borrow and repay with interest.

Some people actually are borrowing larger amounts and starting a business from scratch. But most are already involved in some kind of income generation. People who live in the rural economy are involved in all these kinds of agricultural activities. People diversify their income.

If you are starting with a milk cow, you'll diversify and you'll add chickens and sell the eggs, eat a few and improve the nutrition of your household. You may actually take another loan to put your oldest son or your husband to work fishing, or maybe driving a rickshaw taxi or something like that. The household pulls together and you try to patch together income from enough sources.

The microenterprise and small businesses are the ones that we might in this country more typically relate to. That's where you actually have somebody who ends up hiring a lot of other folks and maybe growing the business.

I just met a woman—I returned from Bangladesh a few weeks ago—married at 13, had her first kid at 15, and of course had dropped out of school. Her child needed help tutoring, so she has actually gone back to school to try to get her class X degree. But she got training and opened a beauty parlor as a sole proprietor.

Today, with two loans now from BRAC Bank she has been able to employ 15 people. That 27-year-old, very empowered young woman—what she wants to do is train others. She actually feels that if women have economic opportunity, they will be able to avoid getting married off as a child and, as a child, then becoming a mother. That's the leading cause of death in Bangladesh for young women, dying in childbirth or suicide from the pressures that they face.

What we have been trying to do is really invest in giving young women greater opportunity. The economic empowerment is key to their own social empowerment.

JULIA KENNEDY: With that economic empowerment comes the other criticism I want to ask you about, which is that these loans come with very high interest rates.

SUSAN DAVIS: They're not high at all, actually. In Bangladesh, the flat rate of 20 percent—

JULIA KENNEDY: But it goes up to 70 percent sometimes, annual percentage rate.

SUSAN DAVIS: Those rates tend to be in Latin America, and cost of capital and inflation are two key factors.

What you have to always ask on interest rates is, what's the cost of capital? What's the inflation rate in a country? In a place that's maybe charging 70 percent, your credit card rate is probably comparable. Then you need to look at the cost of delivering that capital.

Microfinance brings the loan, generally—at least the Bangladesh version that I know well—to the customer. Only the richest people on the planet and the poorest actually know their banker. Everybody else is dealing with a machine. So the cost of actually having little loans going to the customer's doorstep is a high-cost business, and it needs to be a volume business.

But the issue here is that sometimes interest rates are masking inefficiency. From my perspective, you have to become efficient. You want to avoid interest rate caps and you want to have the competition so that people have the better rate. All of this is better than what their other option was, which was a traditional money lender.

JULIA KENNEDY: Right, and so it's a substitute for the money lender.

SUSAN DAVIS: Which was like 120 percent—far more.

JULIA KENNEDY: Right, which was very, very high.

The question I wanted to ask you, though, is a little different. They have these high interest rates, and critics of micro-lending say, why not give them aid instead? Why not take out the business end of it and give people a down payment or a grant to start their business?

SUSAN DAVIS: Two things. One, I just challenge your assumption that they are high interest rates.

But, two, in terms of grant support, I'm not opposed to giving people grant support. It's just, how many people can you give them to. You're not going to be able to, in this day and age, actually find the resources to provide income transfer support to everybody who needs it. That's the main reason.

The second reason on why it hasn't worked so well in the past is that anytime there's some goody out there, the wrong people get it. That's where corruption comes in. If you give subsidized interest rates, the research shows that it ends up going to the better-off farmers and people or the government elite or something in corrupt government situations.

So it was better for a poor woman that she actually pay market rates of interest, because she got it, and it wasn't worth the time of the village elite to steal it from her. That's the sad reality.

One is, if you're serious about solving the problem, you have to understand the whole story around subsidies.

Through BRAC, we use a grant support program for the bottom 10 percent of the population. BRAC actually calls that the ultra-poor. These extremely poor households tend to be female-headed or they have a husband who is really sick and disabled, and they have a bunch of kids. She herself probably became a mother very young.

What we have concluded there is that with an 18-month program that really targets the ultra-poor household and supports her, we will transfer an asset to her, giving her a choice of cows, chickens, doing agriculture, or some kind of way to earn money, and we get her started.

With 18 months to two years of this kind of social support and the income transfer, and giving her some basic monthly allotments to eat, get the kids in school, get the health checked, she actually can graduate into microfinance.

The results are astounding. Seventy percent of the families that we have supported—and it's now more than a million of them—can graduate into microfinance and stay out of extreme poverty a year after the program, and 80 percent stay out of it after five years. It's like there is a ladder of economic opportunity that people can get on and climb, but if you can't reach the bottom rung, this is a way for them to get a boost.

JULIA KENNEDY: When I was looking at the BRAC website, I saw that one of the BRAC social enterprises is now the supplier for KFC in Bangladesh. In your career in development, how you have seen the relationship between NGOs and corporations shift?

SUSAN DAVIS: One of the things that I've written about in the [book](#) that [David Bornstein](#) and I wrote on social entrepreneurship is about how this shift is taking place and affecting the way corporations approach their own work, their markets, as well as governments and civil society and journalism.

Corporations are dealing with a changed set of consumers. They are also dealing with a changed set of employees. I don't know yet if governance of corporations has sufficiently changed, although the investors' movement for socially responsible investing has, in fact, grown. Now it's one out of seven dollars that has some sort of positive or negative screens used.

What corporations are having to do, from pressure on the consumer side, the investor side, and their own employees, is figure out how to do the right thing or how to do what they do better, in a more ethical way.

They have to ask themselves the questions about their value chain. They have to ask about the consequences of their products. What we're looking at is the introduction of cradle-to-cradle thinking, so that there is a consciousness, not just about the labor conditions and how you treat your own workers, but also what happens with that product or service in the world, and the waste that's

produced.

Of course, a lot of corporations are just greenwashing and not yet fully committed. That's where civil society and the press have to come in and hold their feet to the fire. But from what I've seen, we have much more space.

I just came back from Bangladesh, where Cisco, in fact, was negotiating with BRAC; one of our companies that we own 40 percent of is BRAC Net, which is a broadband company. It is a very exciting new strategic partnership that we think will be both good business and great for the development of the educational system in Bangladesh, and will have implications also for Cisco, which is like a \$30 billion company.

They don't know how to work with what they call the base of the pyramid. They have a billion customers. What about the other 5 billion on the planet? They want to learn how to work with the other 5 billion, starting with the toughest, the bottom billion first, and that's why they seek us out.

JULIA KENNEDY: At the Carnegie Council, we were founded with the goal of bringing an end to armed conflict. You're working with a similarly lofty goal of ending poverty. How do you set up intermediary signposts to measure your progress?

SUSAN DAVIS: Creating a culture of peace is a very important part of the work that we do. As you heard, the places where we're working—many of them are at war, Afghanistan or Pakistan, or were formerly at war, Sierra Leone, Liberia, southern Sudan, and northern Uganda. What we have been trying to do is ensure that there is sufficient investment and work in these places, because usually people who have a stake in the economy are not prone to start fighting again.

Second, we've really been trying to invest in not just education with core skills of reading, writing, arithmetic, but also look at social and emotional core competencies. This is one of the most exciting areas that I've been involved in. If we look at educating the heart along with the mind and the hands, we will produce cultures that not only are tolerant of each other, but foster real peace, long-term peace. This is one of the most important things that I think we can do.

BRAC has a staff that's majority Muslim, although we have many Hindus, Christians, Buddhists as well. If we look at the places where we're working, many of the countries have majority Muslim populations. We have such a huge gulf in understanding between the West, and the predominantly Judeo-Christian societies, and Islam. I weep with the separate courses that we're on.

I see the way that we can create the bridges. I know that if we invest in developing the social and emotional core competencies—the self-mastery, the understanding of one's emotions, of being able to not just control anger and frustration, but really to be able to put compassion in action—this is the key, that, with enough food and good work to go around.

I came from a meeting in Delhi with His Holiness the [Dalai Lama](#), where it was a group of people who care about philanthropy and social change and secular and ecumenical approaches. Somewhere we are all inspired by what His Holiness has been able to do and his call to all of us to figure out better ways to actually put compassion in action.

That's what we're trying to do at BRAC. That's what I'm trying to do in all of my work. You measure it in the number of lives touched. Right now we're touching the lives of 138 million people. You have to measure it in the quality of that touch. What benefits have people been able to get? For that, we have a huge research department that is constantly putting out studies, so you can see net worth increase by 50 percent, non-land assets increase 380 percent, doubling of savings, increase of use of sanitary latrine slabs from 9 to 27 percent—all those kinds of things that are ultimately indicators of well-being.

What I like most are the indicators of real empowerment, that sense of agency, of personal power. That's where I go back to the starting point. Social entrepreneurship unlocks everybody's ability to be a change maker, to participate in the solutions to their own problems. I don't think there's a magic bullet, that we're going to solve all problems with some panacea. If we solve today's problems, tomorrow will have new problems. So the only sustainable path is to proliferate the number of change makers.

JULIA KENNEDY: Susan Davis, it has been such a pleasure to have you on Just Business. Thanks so much for joining me.

SUSAN DAVIS: My pleasure. Thank you, Julia.

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