

Reconciling economics and social concerns: the example of *arcenciel*
in Lebanon

Kristel Guyon • Association *arcenciel* (Beyrouth, Liban)

While social entrepreneurship still seems to be a recent innovation in France, the Lebanese association *arcenciel* chose this model more than thirty years ago. Kristel Guyon explains here the origins, the philosophy, the organisation and both the advantages and disadvantages of this hybrid model.

The aid and development ecosystem has been undergoing significant change for several decades. We have seen a real paradigm shift, with new actors arriving in the field (cooperatives, corporate foundations, multinationals, southern NGOs), new practices being introduced and the adoption of a managerial culture by even the smallest local organisations. Companies are now developing their own chains of solidarity and development. The model promoted by the multinational shoe company, Toms, is perhaps one of the most striking examples of this. Not only does Toms donate a pair of shoes to a “person in need” for every pair purchased, it is also engaged in the water and sanitation sector. In fact, we are witnessing the creation of new rules in a system that has become far more complicated than the North-South cooperation we used to know¹.

Social entrepreneurship: a growing and explicit concept

“Social entrepreneurship” has become an increasingly familiar term over the last ten years, referring to one of the key phenomena of this transition period. Many initiatives and organisations now lay claim to this notion, as well as to the concept of “Social and Solidarity Economy” (SSE), which has been adopted by structures ranging from associations, cooperatives and mutual societies to foundations and companies. These organisations may all take different forms and have different fields of activity, but they share the same concern: to create and develop an economically viable activity in order to address identified social and environmental needs. Social entrepreneurs reconcile economic and social purposes by implementing a company model based on four essential dynamic pillars².

Firstly, the organisation’s mission must meet a social, societal and/or environmental need, whether in the recruitment of its employees, its methods of production, the goods or services it offers or its beneficiaries/customers. The social enterprise must have tools and indicators for evaluating this social and environmental purpose over time; it is not enough to claim to be a social entrepreneur; this claim must be permanently substantiated.

¹ Jean-François Mattei and Virginie Troit, « La transition humanitaire [The humanitarian transition] », *médecine/sciences*, vol. 32, n° 2, February 2016, p. 211-215.

² Mehdi Baccouche, « Formation sur l’Entrepreneuriat Social aux Chantiers du Forum Jeunesse » [Training on Social Entrepreneurship at the Youth Forum Workshops], *Maison de France, Sfax*, Tunisia, 31 March to 3 April 2017, <http://fjm.tn/fr/93/les-chantiers-du-forum-se-d%C3%A9rouleront-du-31-mars-au-3-avril-%C3%A0-la-maison-de-france-%C3%A0-sfax-3.html>

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Secondly, the project has to be economically viable over the long term, which requires risk-taking and the capacity to innovate in order to meet the demands of a changing market. There can be no effective social project without a stable economic project. For a social enterprise, the challenge is to embed the social project in the economic project to ensure its sustainability.

A social enterprise must be profitable in order to exist, survive and develop, but its profitability must serve its social and environmental purpose to allow it the resources it needs to maximise its long-term impact. So, its lucrativeness is limited by simple operating modalities, such as reinvesting the profits into developing the social enterprise or wage control.

Finally, the social enterprise's governance is built on a participatory model. The decision-making process is not based on ownership of the capital, but on the involvement of all the stakeholders (employees, beneficiaries, local authorities, financiers, etc.). Participatory governance is not practiced for ideological reasons, but for the sake of efficiency and the quality of the service produced. When beneficiaries are involved in the decision-making process they are eminently qualified to indicate potential changes in their needs and help identify the most suitable responses for the social enterprise to make.

This conceptualisation of the social enterprise has been developed over time, after several attempts at different formula by numerous field actors in varying regional and national contexts. This definition of it is not exclusive, but it provides a framework for action that we have been using for more than 30 years at *arcenciel*.

The *arcenciel* model: an entrepreneurial choice initially seen as a constraint

In the beginning, *arcenciel* saw the social entrepreneurship model as a constraint rather than a deliberate choice. When they created it in 1984, in the middle of the civil war, its five founding members identified crucial needs among large numbers of people with disabilities resulting from Lebanon's armed conflicts. *Arcenciel's* original objective was to be of service to these people and empower them to take charge of their own development. So the association set up a medical-social centre, workshops for learning new technical skills, a centre for producing mobility and technical aids, made home visits and adapted the environment of beneficiaries to help them become more self-reliant.

However, as *arcenciel* defined itself as a non-political and non-confessional association, it quickly ran into trouble finding sufficient funding. The country was already very weak and, to complicate things further, the management of Lebanon's social services was, and still is, the exclusive preserve of Lebanon's 17 religious communities. A legacy of the Ottoman Empire, the personal status of communities continues to be managed by the political and religious authorities of the communities themselves. This results in a blurring of the notion of common good, the role of the State as purveyor of social services and the boundaries of the public sphere³. In this context, as a local association seeking to serve all those in difficulty, whatever their community or religious affiliations, *arcenciel* came up against a brick wall, unable to obtain the donations it needed. In short, most of the funding from the Lebanese diaspora was earmarked for the respective communities; *arcenciel* couldn't seek public funding without running the risk of having to pledge allegiance to whatever political party was linked to the public authority concerned; and the

³ Muriel Rozelier, « Pierre Issa, pionnier de l'entreprise sociale au Liban [Pierre Issa, pioneer of social enterprise in Lebanon] », Commerce du Levant, 4 October 2016, www.lecommercedulevant.com/article/26668-pierre-issa-pionnier-de-lentreprise-sociale-au-liban

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association was too small and too local to be eligible for international funding. So, *arcenciel* didn't meet any of the necessary criteria.

Therefore, the association initially set itself up using capital that it had generated by selling services and products created by the beneficiaries. Thanks to the sale of stickers and even ice-cream the fledgling association survived. Over the years, its goal to meet the new needs of people in difficulty led to gradual changes in *arcenciel's* mission. Today, 33 years later, its focus is on contributing towards development through the inclusion of people in difficulty. But to ensure its independence and sustainability, its operating model has remained the same: profit-making activities supporting non-profit making activities – and all of them with a social and/or environmental purpose.

Social entrepreneurship, the backbone of *arcenciel's* institutional culture

Today, *arcenciel* still focuses on integration: 515 volunteers, 75% of whom are considered to be people in difficulty (economic, social, physical and/or emotional), work on its 8 programmes in 12 centres across the country. Its scope of activity is very broad, as defined by its eight programmes – Agriculture, Eco-tourism, Employment, Environment, Youth, Mobility, Social support and Health – and designed to meet the Land of Cedars' many development challenges.

To ensure the smooth running of its hybrid model which meets the costs of its “non-profit-making” social activities with the gains of its profit-making social activities, *arcenciel* is managed like a company. Each of its units has profitability objectives with a social impact. As the beneficiaries are people in difficulty, the services rendered must be as qualitative and professional as possible. These profitability objectives have enabled the association to identify an increasing number of needs in the field and to optimise its response through the mobilisation of community-based resources. To help it do so, it has adopted management tools and the standard language of entrepreneurship, turning them to its own advantage. SAP management software or ISO certification pledges all help professionalise the association and address the beneficiaries' needs more effectively.

Arcenciel now self-finances 72% of its annual budget of about 15 million dollars. Its hybrid model gives it a certain amount of independence from funding agencies, especially for launching new pilot projects, and allows it to continue activities even when project funding comes to an end.

All of the units that generate income for the association meet a social and/or environmental need. Most of its own capital comes from two key activities. The first of these activities is the production of technical aids and mobility equipment, the costs of which are covered by the Ministry of Social Affairs. “Law 220”, adopted in 2000, guarantees respect of the rights of people with disabilities in Lebanon, providing for coverage of their social and medical needs and access to employment. This law was passed following much essential spadework by *arcenciel* to develop a long-term strategy. This strategy consists in moving away from a system of community-based charity towards one of institutionalised solidarity, establishing social services as part of national public policy. Therefore, when launching each of its pilot projects, *arcenciel's* long-term objective is to enable the State to exercise its prerogatives and extend the service to everyone.

The second main source of capital comes from the management of infectious hospital waste. Since 2003, *arcenciel* has been handling more than 83% of the waste produced by Lebanon's medical activities. This waste used to be thrown away with household waste, with no precautions taken to prevent epidemics and disease. Thanks to a presidential decree in 2003, hospitals and

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medical centres are now obliged to sterilise their waste. *Arcenciel* works as a subcontractor, processing this waste in centres throughout the country. Its action in response to the garbage crisis that began in the summer of 2015 has helped mitigate the impacts of this public health disaster and reduce the risk of disease and epidemics. Since the start of the programme, *arcenciel* has been working on a general solution for processing and recycling household and industrial waste with a view to promoting the emergence of a sustainable national policy.

The lure of profit: a potential risk, even for social entrepreneurs?

Arcenciel's hybrid model has given the association a certain amount of financial independence and encourages its members to constantly seek social innovation. However, like all models, it has its weaknesses, and has sometimes headed down a blind alley or ended in failure. *Arcenciel's* current dependency on its main clients (the Ministry of Social Affairs and the hospitals), for example, has made it extremely vulnerable. The ministry, which covers the production costs of the mobility equipment, is a bad payer: it pays for everything, but not on time. Over a number of years it has got so far behind in monthly payments that the association's cash-flow situation is now at the stage where it can no longer redistribute funds internally when the need arises. All the activities are affected by this situation and some are in jeopardy. Indeed, the repeated absence of funding is preventing "non-profit-making" social units from operating properly and may even cause them to close. Similarly, the hospital waste treatment activity may come to an end overnight because the government is now advocating the massive use of incinerators as the best solution to the problems being caused by the garbage crisis and the rationing of electricity. Given the risks, *arcenciel* has little choice but to further diversify its sources of income. Yet it already has 43 different activities. How can it ensure its sustainable development while avoiding the temptation to seek profit where there is no social need?

Arcenciel's long-term objective is to become a fully self-funded social enterprise, and by running different activities and redistributing funds internally between its profit-making and non-profit making units, this might be feasible. The stakes lie in diversifying the sources of income, redistributing this income internally, optimising economies of scale and systematically promoting social innovation in all the actions carried out. The answers to such challenges can be found in the adoption and adaptation of this model by different actors. Indeed, it is in the best interests of *arcenciel* to capitalise on the experience of other bodies carrying out similar action. This is why, in 2013, *arcenciel* created the Middle East's first social enterprise incubator, *Nabad*, with the objective of coaching twenty or so Lebanese social enterprises in their development. There is strength on numbers, so the more often *arcenciel's* model is adopted and revised by different actors, the more pertinent the adjustments will become and the better adapted the model will be to needs in the field. Along the same lines, in partnership with *arcencielfrance* and the social enterprise *Shanti* in Tunisia, *arcenciel* has developed a programme called *processméditerranée*. In a little over two years, this transnational cooperation programme has organised six events ("étapes") in France, Lebanon and Tunisia, bringing together more than 500 young people and professionals from the social and solidarity economy to discuss good practices, replicate success stories and transfer knowledge and know-how between the three shores of the Mediterranean.

These exchanges and this cooperation between all the actors of the social and solidarity economy will help strengthen *arcenciel's* model. But it also needs to incorporate public actors to ensure that the successful pilot projects initiated by civil society organisations today become the public programmes of tomorrow. With this type of coordination in mind, *arcenciel* is currently helping to set up an association of social enterprises and draft a law establishing a frame of reference and a definition of social entrepreneurship in Lebanon. This law should eventually lead to more

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involvement on the part of funding agencies, foundations and public administrations in supporting and developing social entrepreneurship in Lebanon and across the region.

Translated from the French by Mandy Duret

Biography • Kristel Guyon

She has been working with *arcenciel* since 2015. Kristel Guyon is currently Senior Management Assistant and is responsible for the *processméditerranée* project. *Processméditerranée* is a social entrepreneurship cooperation programme based in Tunisia, Lebanon and France aiming to empower and strengthen the capacities of present and future social entrepreneurs. Kristel previously worked as MENA reporting assistant at the Internal Displacement Monitoring Centre (IDMC) of the Norwegian Refugee Council in Geneva, where she prepared various studies on the displacement situations in Iraq, Syria, Libya, Palestine and Yemen. Kristel graduated from the Institute of Political Science in Lyon, after a Master's Degree in Development Cooperation in North Africa and the Middle East.

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