

Enterprise-based Solutions to Poverty Inaugural Request for Proposals (RFP)

Revised version September 2007: date for award changed – it is now February 7th 2008

Cambridge, MA - July 7, 2007 - The S.E.VEN Fund today published its inaugural Enterprise-based Solutions to Poverty request for proposals (RFP). The competition will award 4 or more research grants of no more than \$100,000 each. Submission deadline for the Initial Proposals is October 7, 2007. SEVEN intends to run a version of this competition annually

This inaugural RFP is only the first of many SEVEN projects to focus on Enterprise-based Solutions to Poverty: we are considering investments in documentary films, collective intelligence (open source) solutions, essay contests at Universities, and entrepreneurship awards programs.

Background

Foreign economic and government programs have spent billions of dollars during the past five decades to alleviate the high number of people living in poverty. No country has been lifted out of poverty as a result of these efforts, but the mindset remains the same: aid programs are the key to poverty alleviation.

Entrepreneurship, as a solution to eradicate poverty (i.e. a focus on wealth creation rather than poverty reduction via re-distribution and government programs), remains controversial because it goes against the mindset that solutions to public problems come from the government rather than from the private sector. The notion of creating wealth is, often, stigmatized as “exploiting the poor;” and businessmen in developing nations are sometimes regarded as too self-interested to be a force for positive social changes

There are efforts by international organizations and personalities that aim to correct this, but these efforts seem to turn into “top-down” and “social entrepreneur” solutions or into calls for philanthropic donations and handouts rather than to focus on economic integration, improved productivity, and growth. It seems that even in these efforts, the trend is toward “providing fish” rather than “teaching how to fish,” let alone, selling the most sophisticated fish products to demanding consumers for high and rising prices. The prevalent mindset in trying to “solve” the problem of poverty focuses too little on the opportunity these new, vast markets represent as a way to create new producers and consumers; to connect, as Pope John Paul II has said, all people to networks of productivity. It recognizes the simple fact that the poor farmer in a remote part of Africa, by way of his purchasing habits and consumption, by way of his desire to sell something for a little more than the cost he has to produce it, is the private sector.

At the core of the approach to poverty alleviation is the basic question: Are individual persons, no matter where they live, able to determine their own future? Does positive change come from the ingenuity of the individual or does a group of us have to tell the rest what to do? The answer to these questions goes to the core of our view of how we see the person, as fatalistic or self-determined; and it determines whether our proposed solution to an issue like poverty involves a “top-down” approach or a “bottom-up” solution. Indeed, to what extent do we rest the locus of responsibility for a person’s future, on him or her; or on others, out of their beneficence?

The aim of SEVEN Fund sponsored research is to challenge the prevailing state of mind in this field. We want to answer the questions of whether wealth-creation may be the most effective solution to alleviate poverty. We invest our efforts and resources to find, research, and document examples where entrepreneurial success is

shown to have led to poverty alleviation. In the process, we will support entrepreneurs in developing countries with advice, investments, role models, and services that help them succeed at what they do.

At SEVEN, we believe that enterprise solutions to poverty already exist, but are not sufficiently studied, analyzed, and held up as examples. There are specific questions that have no formulated answers – it is our aim to sponsor research to explore and find these answers. For example:

1. What are the most significant qualities of a successful entrepreneur, especially in the uncertain environment of a developing economy?
2. Can entrepreneurship be taught, inspired, and diffused through a society?
3. Could support for the entrepreneurial spirit serve as role models of sustainable solutions to poverty?
4. What is the relationship between prosperity and progressive human values?
5. How can enterprises contribute to making stronger societies?

Questions like these lie at the heart of enterprise-based solutions to poverty, and at the foundation of our understanding of how to help an economy grow; and, ultimately, help bring about a high and rising standard of living for the vast majority of citizens. Answers to these questions will have implications for governments, multilateral donors, corporations, financial institutions, investors, and citizens in general.

A key aspect of SEVEN's approach is that we believe that entrepreneurs and their companies can be competitive, profitable as well as having a positive impact on society – as a matter of fact, we believe that this is the only sustainable business platform: There are four different constituents to any business model: purchasers, shareholders, employees and future generations. All business models serve the purchasers, or the business model wouldn't exist. Most serve the shareholders or the business model wouldn't exist, for long. Fewer still serve the workers of the world; and in fact, there are only a handful of countries where workers participate in the value created in a business model; and even in these few countries there is precious little thought to future generations. With that integral view, businesses and are the key contributors to sustainable economic growth and prosperity.

Most foreign aid grant-awarding and non-governmental organizations do not believe in this approach, primarily funding top-down projects with government-led conceptual frameworks, rather than the uncertain and often interdisciplinary methods required to develop and encourage entrepreneurial approaches to wealth creation and poverty reduction.¹

In addition to curtailing the potential for massive poverty reduction, this mode of thinking greatly diminishes the excitement and meaning of entrepreneurship in the public consciousness.

SEVEN encourages rigorous researchers to tackle the questions and the potential of enterprise-based solutions to poverty head-on; and we are committed to promoting and diffusing the answers we find.

¹ There are notable and exciting exceptions at the IFC, DFID, and, most particularly, at the Opportunities for the Majority Initiative of the IDB.

Goals

The Inaugural SEVEN Fund RFP has four goals:

1. To expand scientific inquiry to include disciplines fundamental to a deep understanding of entrepreneurship and economic development, but which are currently unsupported by conventional grant sources. This entails not only the broad topic area of research that we want to encourage, but also the inclusion of qualified “researchers” from various fields and backgrounds that other funding institutions would not fund. The goal we attain with this is to introduce fresh thinking and new directions into the discourse of poverty reduction and sustainable economic development
2. To forge and maintain useful collaborations between researchers and on-the-ground actors working on Enterprise Based Solutions to Poverty
3. To provide the public with a deeper understanding in this area, and their potential implications
4. To find, research and analyze role-model entrepreneurs and companies whose lesson may inspire others

RFP funding is therefore aimed at supporting research that is both foundational, with potentially significant and broad implications for our understanding of how entrepreneurs lift people out of poverty; and unconventional, enabling research that, because of its speculative, non-mainstream, or high-risk nature, would otherwise go unrealized due to lack of funding.

About SEVEN

SEVEN (The *Social Equity Venture Fund*) is an independent nonprofit organization² supported by a grant from the John Templeton Foundation. We provide monetary, organizational, and intellectual support for the *research* of enterprise based solutions to poverty, in accord with the SEVEN Fund Bylaws. The SEVEN Board provides the leadership, and a variety of qualified jurors make funding decisions.

The Institute's activities are enhanced by the active participation of its SEVEN Fund Members. SEVEN Fund Membership consists of all researchers funded by the Institute, as well as researchers with membership granted by the SEVEN principals via invitation or application.

Questions & Answers

Does SEVEN have a preferred philosophical or scientific agenda?

We see a number of experts who opine about poverty and prosperity: i.e., macroeconomists, businessmen, educators, political scientists, social scientists, etc. We rarely see enough integration, where the experts of one domain borrow insights from another, and attempt to create an even more robust intellectual framework. We intend to foster this kind of integration, at the level of thought leader and practitioner.

Who might receive SEVEN grants?

Anyone may submit an *Initial Proposal* in order to compete for a SEVEN RFP grant as long as the proposal reflects the scope and guidelines stated in the call for RFPs. The winning parties will be required to enter into a

² 501(c)(3) filed with the IRS June '07

contract with SEVEN prior to final award. We expect applicants to be Think-Tanks, Economists, Professors from Business Schools as well as other departments, Researchers, Entrepreneurs, Business Experts, Strategy Experts, Graduate and Post-Graduate Student Researchers, Economic Development Experts, Business Strategists, Non-Governmental Organizations, etc

How and when do we apply?

You enter into the RFP competition by completing an *Initial Proposal* (link to structure) of no more than three pages, with the PI's (Principal Investigator's) CV attached. Submission deadline for this RFP (Initial Proposals) is October 7, 2007

What kinds of programs and requests are eligible for funding?

The inaugural RFP competition focuses on academic and scientific research in the field of enterprise based solutions to poverty. We intend to award four or more grants for a cumulative \$400,000 and duration of no more than 12 months. There is no geographic or other limitation on who may compete for these funds – anyone may compete for these funds.

What is your policy on overheads?

The highest allowed overhead rate is 20%.

How will proposals be judged?

After screening of the Initial Proposal, applicants may be asked to submit a Full Proposal. All Full Proposals will undergo a competitive process of a confidential jury peer review. An expert panel of jurors from various fields will evaluate and rank the proposals according to the criteria described in Evaluation Criteria & Project Eligibility. The winning parties will be required to enter into a contract with SEVEN prior to final award.

Is there a fixed amount of funding?

The grants under this RFP call shall not exceed \$100,000 to be used during a period of no longer than 12 months.

Can you give me any guidance on my research proposal, and on whether or not our project fits within the funding vision?

Occasionally, SEVEN may provide feedback on Initial Proposals invited for a Full Proposal, and also limited advice during the preparation of the Full Proposal. Please keep in mind that however positive SEVEN may be about a proposal at any stage, it may still be turned down for funding after peer review.

However, please do not contact SEVEN seeking guidance on crafting your Initial Proposal: the complete evaluation criteria that the review panel will use to judge your proposal are on our web page (estimated to go live in October 2007).

Can I submit multiple proposals?

We will consider multiple Initial Proposals from the same PI; however, we will invite at most one Full Proposal from each PI or closely associated group of applicants.

What if I am unable to submit my application electronically?

Only applications submitted via email are accepted. If you encounter problems, please contact SEVEN at info@seven.org.

What are the reporting requirements?

Grantees will be asked to submit monthly progress reports. Quarterly payments will be contingent on satisfactory demonstration in these reports that the supported research is progressing appropriately, and continues to be consistent with the spirit of the original proposal.

What are the qualifications for a Principal Investigator?

Since this is a program run by both practitioners and academics, SEVEN may be a bit more flexible than traditional funding agencies in the definition of a Principal Investigator; thus, we may accept applications from non-academics as the PI or a co-investigator if his/her experience and background warrant it. (This is ultimately up to the jury)

My colleague(s) and I would like to apply as co-PIs? Can we do this?

At this time, the online application form only allows for one PI. Please choose one investigator to be the primary contact; on the application form, designate this individual as the "PI", and all other individuals as "co-investigators." Then, please include a sentence in your project summary specifying your wish for certain individuals to be officially considered as co-PIs.

I have a proposal for my usual, relatively mainstream research program that I may able to neatly repackage as an appropriate proposal for SEVEN. Sound OK?

SEVEN is very sensitive to the problem of "free money," the re-casting of an existing research program to make it appear to fit the overall thematic nature of this Request for Proposals. Such proposals will not be funded, nor renewed if funded initially.

How is SEVEN financed?

This call to RFP is supported initially by a grant from the John Templeton Foundation. SEVEN intends to run a version of this RFP competition annually.

What sort of legal organization is SEVEN?

SEVEN is a non-profit corporation under the laws of the Commonwealth of Massachusetts. An application for recognition as a 501 (c) (3) organization was filed in June 2007.

Who is SEVEN? How is SEVEN administered and run?

SEVEN is primarily managed by two people, Andreas Widmer and Michael Fairbanks, bios attached. They are co-directors with different experiences in the high-tech industry and development, respectively. They founded and ran the only venture-backed firm in the USA to focus on selling software and strategic consulting services to developing nations. There is a board of advisors, and a board of directors with vast experience in global markets, advisory work, and enterprise solutions to poverty.

Important Dates

- * Inaugural Request for Proposals Publication: Saturday, July 7, 2007
- * Deadline for *Initial Proposal*: Midnight Eastern Standard Time, Sunday, October 7, 2007
- * Invitation for *Full Proposals*: Wednesday, November 7, 2007
- * Deadline for *Full Proposals*: Midnight Eastern Standard Time, Friday, December 7, 2007
- * SEVEN Grant Award Announcement: Thursday, February 7, 2008
- * Earliest Start Date for SEVEN Grants: Friday, March 7, 2008

Evaluation Criteria & Project Eligibility

In this inaugural RFP competition, SEVEN will award grants of varying value (no single grant will exceed \$100,000 and 12 months) to exceptional research proposals meeting the below criteria. Researchers in academic and other non-profit institutions may apply for projects up to one year in duration, beginning March 1, 2008. Grant applications will be subject to a competitive process of confidential expert review similar to that employed by similar grant funding agencies.

Proposals will be evaluated according their relevance and impact.

- **Relevance:** Proposals should be topical, foundational, and innovative.
- **Topical:** This Inaugural Request for Proposals is limited to research in economics, government policy and business strategy, insofar as the research bears directly on questions in enterprise-based solutions to poverty. Although the distribution of funds across subject areas will be driven in large part by the quality of proposals received, a goal of the review process will be to fund diverse research topics that span the small and the large, and range from the elementary to the complex.
- **Foundational:** This Inaugural Request for Proposals is limited to research with potentially significant and broad implications for our understanding of enterprise based solutions to poverty.
- **Innovative:** This Inaugural Request for Proposals is intended to fill a gap, not a shortfall, in conventional funding. We wish to enable research that, because of its speculative, non-mainstream, or high-risk nature, would otherwise go unperformed due to lack of available monies.
- **Impact:** Proposals will be rated according to their expected scientific impact per dollar, taking all relevant factors into account, such as:
 - Intrinsic intellectual merit, scientific rigor, and originality
 - Potential for significant contribution to the basic understanding relevant to the topic and a high product of likelihood for success and importance if successful (i.e., high-risk research can be supported as long as the potential payoff is also very high)
 - The likelihood of the research opening fruitful new lines of scientific inquiry
 - The feasibility of the research in the given time frame
 - The qualifications of the principal investigator and team with respect to the proposed topic
- **Cost effectiveness:** Tight budgeting is encouraged in order to maximize the research impact of the project as a whole, with emphasis on scientific return per dollar rather than per proposal

Acceptable use of grant funds include:

- Student or postdoctoral salary and benefits for part of the academic year
- Summer salary and teaching buyout for academics
- Support for specific projects during sabbaticals
- Assistance in writing or publishing books
- Modest allowance for justifiable equipment, computers, publication charges, and other supplies
- Modest travel allowance
- Development of workshops, conferences, or lecture series for professionals
- Justified overhead of at most 20%

Illustrative projects

To aid prospective applicants in determining whether their project is appropriate for SEVEN, we provide here a list of illustrative projects that are potentially able to receive funding according to the above criteria:

- Research that advances the understanding of *the role that entrepreneurs* play in creating sustainable economic progress in any given country, region or industry
- The money (remittances) that the immigrant community in the U.S. sends back to Mexico and the rest of Latin America dwarfs the *global* total of Foreign Aid and Direct Foreign Investment to all poor nations. Most of this money is consumed, and not invested into enterprises back in the villages and small towns. We are interested in how remittances can be used to foster innovation and long term prosperity for remote communities.
- The smallest nations of the Caribbean are overwhelmingly dependent on access to European markets, and subsidies, especially in the sugar industry. These benefits are disappearing, and no alternatives are on the horizon. This has consequences for the entire Hemisphere. We are interested in how entrepreneurs who are properly stimulated and rewarded find ways to build complex strategic advantages on top of their natural resources?
- Africa is enjoying a boom in selling their natural resources to China, and many are convinced that the continent has turned the corner. Still, wages remain low, commodity markets are fickle, the environment is being destroyed, with no real sustainable advantages are in sight. How can we use the spate of Chinese activities in Africa to build sustainable advantages?
- Most foreign advisors tell entrepreneurs in Afghanistan to find ways to sell things to Europe and America. The truth is that their biggest markets, traditional relationships, and largest opportunities lie in Pakistan and India. Globalization can mean that poor economies sell to one another, but policies and formal advice do not foster this. How can we focus entrepreneurs in developing nations, and those who advise them, on the real markets, nearby?

Broadly speaking, we want to know more about the success factors in developing world entrepreneurs such as strategic choice, organizational structure, IT usage, information flow, control measurements, etc.; we are interested in the effect of entrepreneurship on governments, and how the benefits of entrepreneurship permeate through society.

Application Process

Applications will be accepted electronically through a standard form on our website, here, and evaluated in a two-part process, as follows:

Initial Proposal - Due October 7, 2007 - Must include:

- A 500 word project summary , explicitly addressing why it is topical, foundational and unconventional
- A draft budget description not exceeding 200 words, including an approximate total cost over the life of the award and explanation of how funds would be spent
- A Curriculum Vitae for the Principal Investigator, which **MUST** be in PDF format, including:
 - Education and employment history
 - Full publication list
- Four expert references on the PI or the project team as a whole.

SEVEN will screen each Initial Proposal according to the criteria listed above. Based on this preliminary assessment, the Principal Investigator (PI) may be invited to submit a Full Proposal, on or about October 15, 2007, perhaps with feedback from SEVEN on improving the proposal. Please keep in mind that however positive SEVEN may be about a proposal at any stage, it may still be turned down for funding after full jury review. All jury decisions are final decisions.

Full Proposal - Due November 7, 2007 – Examples of what it must include – full list will be made available to finalists:

- A 200 word project abstract, suitable for publication in an academic or professional journal
- A project summary not exceeding 200 words, explaining the work and its significance to laypeople
- A detailed description of the proposed research, not to exceed 15 single-spaced 11-point pages,
- A detailed budget over the life of the award, with justification and utilization distribution
- Evidence of tax-exempt status of grantee institution, or if it is not tax-exempt, a full description of the entity and its purpose/focus.
- Project timeline with clearly defined and objectively measurable quarterly deliverables
- Curriculum Vitae for all project senior personnel, including:
 - Education and employment history
 - A list of references to five previous publications relevant to the proposed research, and five additional representative publications
 - Full publication list

Completed Full Proposals will undergo a competitive process of external and confidential expert peer review, evaluated according to the criteria described in Evaluation Criteria & Project Eligibility above. A review panel of scientists in the relevant fields will be convened to produce a final rank ordering of the proposals, which will determine the grant winners, and make budgetary adjustments if necessary. Award announcements will be made on February 7, 2008.

Biographies:

Michael Fairbanks is the Founder of The OTF Group, a software and strategy consulting firm based in Boston. It is the first Venture-backed US firm to focus on developing nations. Mr. Fairbanks is also the Senior Advisor to the President of the Inter-American Development Bank, a USD 100 billion dollar bank located in Washington, D.C., which, last year, disbursed USD 7.5 billion dollars in grants and loans to the Caribbean and Latin America.

He was a US Peace Corps teacher in Kenya, a Wall Street Banker and has, over a twenty year career, advised scores of Presidents, cabinet members and CEOs in Africa, Latin America and Southeast Asia on business strategy and export competitiveness.

His recent projects include working for the President of Rwanda to improve the prosperity of all Rwandan citizens by increasing the competitiveness of that nation's tourism, coffee and agro-industry sectors; and advising the Minister of Finance of Afghanistan on private sector reforms. He co-authored Harvard Business School's landmark book on business strategy in emerging markets, entitled *Plowing the Sea, Nurturing the Hidden Sources of Advantage in Developing Nations*, with a forward by Michael Porter. Business Week Magazine said, "Plowing the Sea points the way toward creating prosperity in

developing nations”, the Boston Globe named it one of the ten best books of the year in Politics and Economics, and Exame magazine, Brazil’s leading business weekly, called it one of the ten best books of the decade. He co-conceived and contributed to the global best selling book Culture Matters: How Values Shape Human Progress, with Sam Huntington and Larry Harrison at Harvard. His next book, edited with Malik Fal and Marcela Escobari-Rose, contains essays by OTF colleagues from around the world. It is entitled “In the River They Swim: Essays on Enterprise Solutions to Poverty.”

His work has been translated into a dozen languages including Korean, Mongolian, and Serbian. He was a visiting fellow at the Hoover institute at Stanford, a lecturer at Harvard, and an adjunct professor at Georgetown University and the Fletcher School of Law and Diplomacy at Tufts. He has degrees in Philosophy and Biochemistry from the University of Scranton, a Jesuit University in Pennsylvania, where he was Trustee for six years, and African Politics from Columbia University in New York City. He served on the Commission on Globalization with, among others, Mikhail Gorbachev, Jane Goodall, and Joe Stiglitz; advised the Private Sector Commission at the United Nations; and FORTUNE Magazine named him one of the 150 Smartest People in the World. In 2006, his Alma Mater gave him its highest award, a Doctorate in Humane Letters for his “accomplishments and devotion to Social Justice.”

Michael serves on the Board of Directors of various civic, educational and commercial organizations. He lives in Boxford, Massachusetts with his wife Marylee Fairbanks, a veteran of New York stage and Broadway productions, and their son, Sebastian Michael

Andreas Widmer is co director of the SEVEN Fund. Prior to working on SEVEN, he was entrepreneur in residence at Highland Capital Partners, a leading venture capital firm. He is a business executive that has led international strategy consulting and high technology software firms including OTF Group Inc, Eprise Corp, Dragon Systems and FTP Software Inc. He has worked extensively in the US, Europe, Asia, Africa and Latin America and has brought over 100 leading-edge technology products to market.

During his 17 year career, he has furthered the buildup of four startup companies with cumulative exits valued at over \$730 million. Andreas’ current projects include advising several medical device and high technology startup companies on their strategy, venture capital and angel fund-raising efforts.

He serves on the Board of Directors/Advisors of OTF Group, Virtual Research Associates, Twin Star Medical, Smart Destinations, Island Desserts, Legatus Boston, the World Youth Alliance and the Boston Catholic Men’s Conference. Andreas served as a Pontifical Swiss Guard from 1986-1988, protecting Pope John Paul II. He speaks fluent German, Italian and French and has a basic knowledge of Spanish.

Andreas lives in Somerville, Massachusetts with his wife Michelle, an artist, and their son, Elias Jean-Gerard.