

G20 DEVELOPMENT WORKING GROUP

**ANNEXES TO G20 INCLUSIVE BUSINESS
FRAMEWORK**



ANNEXES TO G20 INCLUSIVE BUSINESS FRAMEWORK

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Annex I: Additional Background on Inclusive Business

Definitions

In 2011, the G20 adopted a working definition of inclusive business in advance of its [Challenge on Inclusive Business Innovation](#): “a private sector approach to providing goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the pyramid by making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers.”

The term “Base of the Economic Pyramid” (BOP) was coined by C.K. Prahalad in his book, *The Fortune at the Bottom of the Pyramid*. Today, BOP is often used as shorthand to describe men and women who are low-income or who lack access to basic goods and services. This group often experiences economic and social exclusion, and represents a range of vulnerable populations.

A low-income person is commonly considered to be someone earning less than up to \$8/day in purchasing power parity terms (PPP). Using PPP terms allows the real figure to be adjusted so that the relative purchasing powers amongst different countries are equal. For example, PPP\$8.00 is currently the approximate equivalent of US\$2.67 in Bangladesh, \$3.34 in Nigeria, and \$4.25 in Mexico.¹ This maximum income amount – PPP\$8 – was established in the 2005 report, *The Next 4 Billion*.² A similar limit was used in the development of the [Global Consumption Database](#) launched in 2014.³ Detailed information as to how this income limit was established can be found in the [Technical Notes](#) portion of the Database.

Inclusive business considers inclusion as it relates to income and does not necessarily suggest inclusion of women, youth, or other disadvantaged populations. This notwithstanding, an understanding of the role that gender and youth play in particular country, culture, and sector contexts is important when designing an inclusive business.⁴

Approaches

There are three approaches to conducting inclusive business: Inclusive business models, inclusive business activities, and social enterprise initiatives. Each requires a high-level commitment and long-term support to be successful.

¹ As of May 2015

² Hammond, A.; Kramer, W.J.; Tran, J.; Katz, R.; & Walker, C. (2007, March). *The Next 4 Billion*. Washington, DC: World Resources Institute.

³ The Global Consumption Database is a source of data on household consumption data from developing countries. It is generated by the World Bank Group. See the Database: <http://datatopics.worldbank.org/consumption/>

⁴ Early evidence indicates that gender may play a particularly important role in food distribution and in fast-moving consumer goods. Women also play a key role in the agribusiness value chain and are often involved in the production of handicrafts and other products.

Approaches to Inclusive Business

	INCLUSIVE BUSINESS MODELS	INCLUSIVE BUSINESS ACTIVITIES	SOCIAL ENTERPRISE INITIATIVES
BOP's Relationship to Business	Core Value Chain	Ancillary	Ancillary or Core Value Chain
Financial Return Expectations	Market Returns	Market Returns or Below Market Returns	Not Profit Maximizing
Primary Funding Type	Commercial	Commercial	Mixed

Inclusive Business Models

Companies with an inclusive business model incorporate the BOP into their core value chain as part of their *core business operations*. This could occur in one of two ways:

- 1) The company focuses primarily on the BOP segment. For example, by sourcing mostly from smallholder farmers or by concentrating foremost on the BOP customer.
- 2) The company incorporates the BOP as one part of its business. This slightly varied approach is one in which the company focuses on the full economic pyramid and targets multiple income brackets, one of which is the BOP. In this way, the company also buys from or sells to those at middle or higher income levels. For this type of company to be considered as having an inclusive business model, the BOP must represent a substantial portion of the overall business (either of the client base, supplier base, etc.). The mobile phone industry, for example, first targeted higher income customers, but has since expanded its focus to also include lower incomes customers as well. This has enabled the industry to develop new functionalities such as money transfer and data exchange platforms.

Inclusive business models may be applied within companies ranging from small to large in size and local to global in scope. Many are medium or large-sized domestic or regional companies. Some may have started in developing countries and later expanded to other markets.

Commercial viability of the business model is critical for companies in this category. Companies with inclusive business models rely primarily on commercial sources of financing for their business operations and look to realize market returns on their investment. Because commercial viability is built into the business models of these companies, they do not rely on concessional or philanthropic funding for their operations. Thus, their engagement with the BOP is financially self-sustaining over the long-term. Typical financing sources include project finance from commercial banks, multilateral development banks, and development finance institutions.

Inclusive Business Activities

Companies implementing inclusive business activities include people at the BOP into their value chains in a manner that is ancillary to the core business of the company. The total number of people reached at the BOP through these activities do not make up a significant part of the companies' base of customers, suppliers, or business partners. Notwithstanding, these activities do contribute to the overall aims of inclusive business by creating jobs and opportunities, providing training and capacity building, and generally improving the livelihoods of those involved in the activities. These activities may have different expected rates of return than with normal operations due to the high cost and/or risk of doing business with the BOP, low anticipated margins, and/or longer-term timeframes to reach the break-even threshold. It is possible in some cases that inclusive business activities can evolve into inclusive business models, once the approach has been proven to be financially sustainable and scalable.

Companies may label inclusive business activities as corporate social responsibility (CSR), pilot research and development (R&D), or community investment. While the main business of these companies may target people at middle to higher income levels, inclusive business activities tend to focus specifically on people at the BOP. The most well-known examples of inclusive business activities are often implemented by large, multinational companies. However, companies of any size and scope may be active in implementation.

While the main operations of these companies are typically commercially viable and commercially funded, specific inclusive business activities are financed in a variety of ways: internal company resources, support from commercial funds, concessional funding, or grants. Many of these activities benefit from public support via development partnerships, where the public partner contributes a portion of the required resources through mechanisms such as challenge funds and matching grants.

Innovation & Inclusive Business⁵

Many inclusive businesses introduce inclusive innovations in order to reach the BOP. These innovations take the form of product and process innovations that are used to fulfill the demands of this market segment at an affordable cost or the adaption of products and services to the specific needs of the BOP.⁶ These innovations are often focused on providing basic goods and public services, such as education and health, from which the BOP are often excluded.

Inclusive innovations may be distinguished according to the role of the BOP: they may be consumers of innovations ("pro-inclusive innovations") or their producers ("grassroots innovations"). Successful inclusive innovations often combine these two dimensions.⁷

The inclusive innovations that have reached scale have succeeded for several reasons:

⁵ Organization for Economic Cooperation and Development (OECD). (2015, May 22). *Innovation Policies for Inclusive Growth*. Paris: OECD. Accessed from <http://www.oecd.org/sti/innovation-policies-for-inclusive-growth-9789264229488-en.htm>

⁶ Inclusive innovations directly serve the welfare of the BOP and, more broadly, excluded groups.

⁷ An example can be found in the M-Pesa case study in Annex II.

- The product responded to widespread demand and BOP customers are willing to pay for the service. Mobile phones, for instance, were taken up by the BOP despite challenges around access to electricity because the communication needs were substantial.
- The innovation responded to an unmet need of those at the BOP. Involving the BOP directly in the innovation process, observing their consumer habits, and being aware of their needs can often achieve such an understanding.
- Developing a profitable, cost-effective business model was a priority. Innovative pricing and financing strategies, and modified business processes are critical in achieving a profitable model. This process often involves multiple iterations.

Social Enterprise Initiatives

Social enterprises have the specific mission to pursue social objectives. Their work spans a spectrum of sectors – including welfare, health, education, tourism, food and agriculture, culture, housing, environment, and utilities – with many of them providing these goods and services to consumers at the BOP.

Social enterprises may be organised across a variety of legal forms, organizational models, and legal statutes. Depending on the geographical and cultural contexts in which they operate, social enterprises could be associations, traditional cooperatives, non-profit organizations, or limited liability corporations. Some countries have legal qualifications for social enterprises that can be adopted by different types of organizations provided that they comply with a set of criteria defined by law. In most cases, social enterprises are not structured to maximize their profits for redistribution. When the distribution of profits to stakeholders is allowed, in most cases, the statute of the social enterprise stipulates distribution constraints, such as “caps” or “asset locks.” An increasing number of European countries have introduced specific regulations for social enterprises in this regard.

Social enterprises rely on a mix of financial resources:

- Market resources: Revenues from the sale of goods and services in the open market, including services delivered to public authorities through public procurement
- Non-market resources: Subsidies, grants, soft loans
- Non-monetary resources: Volunteer work, technical assistance, and organizational capacity building, especially in management skills, market analysis and commercial acumen

In addition to the resources outlined above, social enterprises need financial tools, such as patient capital, which offers lengthier funding periods than those associated with venture capital or mainstream investment mechanisms. Such financing is often tailored to different stages of the social enterprise’s lifecycle, from start-up to maturity, and requires a willingness on the part of the investor to accept higher levels of risk. Venture philanthropists, impact investors, and others often act as partners to social enterprises by providing both financial and non-financial support.

Cooperatives: A Cross-Cutting Role

Cooperatives can be involved across the spectrum of inclusive business, either by utilizing an inclusive business model, operating inclusive business activities, or functioning as a social enterprise initiative.⁸ Cooperatives could also be a part of the value chain of a larger inclusive business company. For example, many companies sourcing from smallholder farmers engage with them via cooperatives.

Cooperatives are unique because their members are also stakeholders. They can represent producers at different levels or users and they aim to serve the needs of their members. Cooperatives range from small grassroots initiatives to multi-billion dollar businesses. As a business model, cooperatives are based on the values of self-help, self-responsibility, democracy, equity, and solidarity and often reinvest profits into social programming. They operate in all sectors of the economy and provide voice and organizational structure for otherwise disparate consumers or producers.

The International Labor Organization's (ILO's) *Recommendation 193 on the Promotion of Cooperatives* (2002) provides non-binding guidelines for drafting and/or revising national policy and legislation on cooperatives.⁹ The guidelines have achieved wide acceptance as a template for ILO member states updating their cooperative laws and policies. Since the adoption of the Recommendation, more than 100 countries have used the guidelines to revise and develop their cooperative policies and legislation.

Key points of the Recommendation include:

- Cooperatives operate in all sectors and all countries.
- Cooperatives are based on principles and values.
- The International Cooperative Alliance (ICA) statement of cooperative identity, which states those values and principles, is accepted as the basic definition of a cooperative.
- Cooperatives should enjoy equal treatment with other types of enterprises.
- Governments should create an enabling environment for cooperative development and facilitate access to support services.
- Employers' and workers' organizations should promote cooperatives.
- Cooperatives should cooperate internationally.

⁸ Cooperatives are defined as autonomous associations of persons who unite voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly-owned and democratically-controlled enterprises.

⁹ International Labor Organization's (ILO). (2002, June 20). *Recommendation 193 on the Promotion of Cooperatives*. 90th ILC session. Geneva: ILO. Accessed from http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R193

Responsible Practices

Inclusive businesses, as with any business, are informed by national and international frameworks and instruments, which are derived from key international standards. These instruments support companies along every step of a supply chain to responsibly contribute to local economic development and upgrade their position in national, regional, and global value chains.¹⁰ The ILO *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration)* is the principle normative instrument guiding company behavior on labor and employment issues.¹¹ The Declaration provides guidance on general policies, employment creation, skills development, work and life conditions, and industrial relations. It is the only international instrument which reflects the consensus of governments and employers' and workers' organizations from 185 member states. It incorporates the ILO *Declaration of Fundamental Principles and Rights at Work (FPRW)* and calls upon all actors to contribute to the realization of these FPRW.¹² The MNE Declaration seeks to maximize the positive contribution of enterprises to economic and social development by:

- Clarifying the roles of governments and enterprises in protecting workers' rights and promoting development.
- Promoting policy coherence among both government and enterprise.
- Promoting dialogue to ensure maximum synergies of efforts.
- Promoting an enabling environment to foster greater enterprise contributions to the Sustainable Development Goals (SDGs).

¹⁰ As identified in the 2012 report to the DWG for its pillar on on Private Investment and Job Creation.

¹¹ ILO. (2006) *Tripartite declaration of principles concerning multinational enterprises and social policy (MNE Declaration)* -- 4th Edition. Geneva: ILO. Accessed from http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_094386.pdf

¹² ILO. (2012). *Declaration of Fundamental Principles and Rights at Work: From Commitment to Action*. ILO Report VI. Geneva: ILO. Accessed from http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_176149.pdf

Annex II: Inclusive Business Case Studies

A selection of case studies of inclusive business models, inclusive business activities, and social enterprise initiatives is included in this Annex. Inclusive businesses are active in a variety of sectors, most notably: agriculture, education, financial services, health, housing, and utilities.

The cases included in this Annex have been reviewed as follows:

- Companies marked as having an ***inclusive business model*** have been reviewed by a third party panel for inclusion of the BOP, financial viability, and stated use of environmental and social standards.
- Companies marked as having an ***inclusive business activity*** have been reviewed for company's self-reported inclusion of the BOP, financial return expectations, and existing social and environmental processes through the Business Call to Action (BCtA).
- ***Social enterprise initiatives*** have been reviewed by the Organization for Economic Cooperation and Development (OECD) Centre for Entrepreneurship, SMEs and Local Development based on its operational definition and selection criteria.

Cases include:

Sector	Area	Case Study
<u>Agriculture</u>	<u>Procuring from Smallholder Farmers</u>	ECOM, Unilever, L'Occitane en Provence, COMACO and the Lundin Foundation, The Argan Tree
	<u>Selling to Smallholder Farmers</u>	Jain Irrigation Systems Ltd, BASF SE
<u>Education</u>	<u>Affordable Education and/or Vocational Training</u>	Uniminuto, TTNET, Ericsson, VITAMINE T
<u>Financial Services</u>	<u>Microfinance and Microinsurance</u>	Tribanco, Itaú Unibanco
	<u>Mobile Money</u>	Roshan, M-PESA, ¹³ Hapinoy
<u>Health</u>	<u>Affordable Health Care Services</u>	Fundación Cardiovascular, Novartis, Ziqitza Health Care Limited, Medic Mobile
	<u>Nutritional / Healthy Products</u>	Phillips Healthcare Services Limited, Envirofit
<u>Housing</u>	<u>Affordable Housing and Housing Finance</u>	VINTE, CEMEX Patrimonio Hoy
<u>Utilities (Energy & Water)</u>	<u>Last-mile Utility Delivery</u>	Manila Water Company, Promigas, Panasonic, 100fontaines

¹³ M-PESA was not reviewed in the same manner as other inclusive business models included in this annex.

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Procuring from Smallholder Farmers

Companies purchase crops from smallholder farmers who are typically geographically dispersed and are often in areas with poor infrastructure and underdeveloped markets for agricultural inputs. Smallholder farmers may represent a company's only or best sourcing option or may reflect a social aim of the company to work with them when it is financially viable to do so.

Cases: ECOM, Unilever, L'Occitane en Provence, COMACO and the Lundin Foundation, The Argan Tree

Inclusive Business Model: ECOM

Company	ECOM is a global commodity trading and processing company specializing in coffee, cocoa, and cotton in major producing and consuming countries around the world with ancillary operations in sugar and oilseeds. The company works in over 30 countries. ECOM is one of the world's top three merchants in coffee and among the top five in cocoa and cotton.
Challenge	Ensuring stability and security of coffee and cocoa supplies is critical to ECOM's business. Around the world, coffee is predominantly grown by smallholder farmers. However, these BOP farmers often lack education on good agricultural practices and have insufficient availability of and access to agricultural inputs (seeds, fertilizer, pesticides, etc.) and finance. Moreover, ECOM faces growing consumer demand for certified products and farm-level traceability.
Model	<p>ECOM engages with BOP coffee growers to support farm productivity, promote crop certification, and to ensure the company has a stable source of agricultural products to meet consumer demands. In Côte d'Ivoire, for example, ECOM sources cocoa directly from 15,000 smallholder farmers and provides them with inputs, training, and access to finance. ECOM established a subsidiary responsible for providing qualified agronomists to work with local and international partners and to help farmers increase their yields, improve quality, and become certified. This training enables farmers to meet certification standards, to realize higher returns, and to meet consumer demands.</p> <p>In markets around the globe, ECOM's services now reach more than 250,000 farmers directly and, in some areas, have resulted in yield increases of over 40 percent and increases in farmers' incomes of 30-300 percent. On the financing side, ECOM provides seasonal credits to its suppliers in a number of countries and agricultural insurance where feasible. These advances against later harvest deliveries finance the farmer throughout the production cycle, supporting the purchase of inputs like fertilizer, the maintenance of plants, and harvesting.</p> <p>Through this effort, the company aims to increase the amount of certified coffee it sources and sells to meet market demand.</p>

Source: International Finance Corporation (IFC). (2012). *ECOM Agroindustrial Corporation*. IFC Case Study. Accessed from

<http://www.ifc.org/wps/wcm/connect/ff942a004d332e698961cdf81ee631cc/Ecom.pdf?MOD=AJPERES>

Inclusive Business Activity: Unilever

Company	<p>Unilever is a multinational consumer goods company with headquarters in the U.K. and the Netherlands. It is the third largest consumer good company in the world, with over 400 brands that serve two billion people worldwide. Unilever is committed to implementing sustainable business practices at every stage of the production process.</p>
Challenge	<p>Unilever purchases one percent of the global supply of cocoa. Several Unilever brands, such as Ben & Jerry’s and Magnum Ice Cream, require a steady supply of high-quality cocoa. The vast majority of Unilever’s supply of cocoa is sourced from smallholder farmers in Côte d’Ivoire and Ghana, where the cocoa trees are older and less productive and farmers lack access to training and other necessary services to produce more. Insufficient yields lead to lowered income, debt, and poverty. Farmers lack awareness of appropriate alternatives and turn to destructive and illegal practices, including child labor and deforestation, to increase yields.</p>
Activity	<p>In an effort to encourage sustainable farming practices and address many of the environmental, social and economic issues associated with cocoa farming, Unilever supports the Rainforest Alliance (RA), an international non-profit conservation organization that uses standards approved by the Sustainable Agriculture Network (SAN), to certify sustainable cocoa production. Cocoa suppliers certified by the RA protect workers’ rights, ensure that adequate housing, wages and contracts are provided for their farmers, and preserve the ecosystem.</p> <p>To help its suppliers achieve RA certification, Unilever partnered up with Barry Callebaut, a high-quality cocoa supplier that offers training to around 29,000 cocoa farmers in West Africa to help them improve productivity and quality of their cocoa. Farmers trained through Barry Callebaut’s “farmer field schools” can subsequently train other farmers within their cooperatives to ensure consistent sustainable cocoa production and urge other farmers to do the same. Since the partnership was established in 2012, Barry Callebaut has been Unilever’s top strategic supplier for cocoa and there are plans in place to meet up to 70 percent of Unilever’s cocoa needs.</p> <p>Farmers under the RA program are very optimistic about the benefits of the program, which include improving the quantity and quality of their crop yields, receiving proper training, and access to a network of other farmers in similar situations. Unilever, for its part, is happy to have access to a reliable source of cocoa through Barry Callebaut.</p>

Source: Unilever. (2015). “Sustainable Cocoa and Sugar.” Accessed from <http://www.unilever.com/sustainable-living/the-sustainable-living-plan/reducing-environmental-impact/sustainable-sourcing/our-approach-to-sustainable-sourcing/sustainable-cocoa-and-sugar.html>.

Inclusive Business Activity: L'Occitane en Provence

Company	L'Occitane en Provence (L'Occitane) is a French multinational cosmetics firm recognized worldwide for its luxury products based on natural ingredients. The company employs more than 6,000 staff and has over 1,000 shops in 85 countries. Part of the company's ethos is about valuing the communities where it sources from and guaranteeing the social, economic and environmental sustainability of its producers.
Challenge	Since the origin of the company, L'Occitane has sourced its signature ingredient – shea butter – from Burkina Faso. Shea butter is produced from nuts of the shea tree, a tree indigenous to the African Sahel. A large majority of women in rural households in Burkina Faso collect and process shea nuts. However, the low capacity and production volume of its suppliers can be problematic for L'Occitane. Furthermore, the company has faced issues with inconsistency of the quality of shea butter and poor logistics due to lack of adequate infrastructure in the country.
Activity	<p>L'Occitane is one of the biggest buyers of handmade shea butter in Burkina Faso. The company buys its shea butter directly from five cooperatives of women representing more than 17,000 women in 10 provinces across the country. To support producers and their cooperatives, L'Occitane has been working since the early 1980s to develop tools adapted to the local context to secure supplies in terms of quality, quantity, and traceability. In order to meet the standards required for the cosmetics industry in terms of quality and quantity, L'Occitane's supplier cooperatives have received substantial capacity building support from NGOs and donor organizations as well as from L'Occitane itself.</p> <p>In the past few years, the company has also helped its suppliers get fair trade and organic certification and today it buys all its shea butter at a minimum fair trade price. In 2011, L'Occitane bought more than 500 tons of shea butter, which has directly benefitted the women producers it buys from and indirectly benefitted up to 200,000 people through benefits to household members and jobs created.</p> <p>As for L'Occitane, the company has built a strong and loyal relationship with the shea butter cooperatives in Burkina Faso and now sources enough of the product to be used in 100 different cosmetic products. The company's shea butter hand cream remains its best seller, with one cream being sold every three seconds in shops across the world.</p>

Source: Kamara, Y. "L'Occitane au Burkina Faso": More than just business with shea butter producers." Growing Inclusive Markets Case Study. Accessed from http://growinginclusivemarkets.org/media/cases/BurkinaFaso_L'Occitane_Final.pdf

Social Enterprise: COMACO and the Lundin Foundation

Company	Community Markets for Conservation (COMACO) is a rural development model partially funded by the Lundin Foundation that relies on financial incentives in order to improve farming practices, income security, and wildlife conservation in Zambia. COMACO trains farmers in sustainable farming practices and wildlife protection and – in return for their compliance – it purchases their surplus produce at above-market prices to provide income security.
Challenge	Approximately 65 percent of all residents of the Luangwa Valley in Zambia live in poverty, and have limited access to markets, services, and productive assets. Lack of technical knowledge regarding proper farming methods has led to soil degradation and deforestation. The growing risk of crop loss has led farmers to poach wildlife in order to secure enough food and household income for survival. These practices put Zambia’s future economic opportunities at risk and perpetuate poverty and malnourishment issues.
Initiative	<p>COMACO trains its farmers in sustainable farming practices, and then monitors and evaluates their performance using a scorecard system. COMACO is a compliance-based incentive scheme, in that if farmers comply with the sustainable farming training and avoid poaching wildlife, they are rewarded by having their surplus produce purchased at above-market prices. However, a poor score will result in lower commodity prices, causing farmers to lose income.</p> <p>Overall, the programme has been fairly effective. In 2014, COMACO had 86,995 members, 52 percent of which were women. COMACO estimates that it has a 65 percent compliance rate, and that it has increased maize yields by 30 percent. Over 2,000 firearms and 80,000 animal snares have been handed in, indicating that anti-poaching measures have also been effective.</p> <p>For its part, COMACO is partially funded by the resale of the farmers’ surplus commodities so the more products it has to sell, the more sustainable the model in the long-term. In addition, the initiative also receives partial venture philanthropy funding from the Lundin Foundation.</p>

Source: Community Markets for Conservation. (2014, November). *The COMACO Landscape Management Project Environmental and Social Management Plan*. Accessed from <http://itswild.org/download/factsheets/COMACO%20%20Environmental%20and%20Social%20Management%20Plan%20Nov%2018%202014.pdf>

Social Enterprise: The Argan Tree

Company	<p>The Argan Tree is a cooperative of approximately 60 women based in Agadir, Morocco that produces beauty products using oil from the region's argan trees. The cooperative produces five beauty products that it markets and sells online, and returns 100 percent of the profits it earns to the Moroccan workers.</p>
Challenge	<p>According to the World Bank Group, 10 percent of rural Morocco's 13.4 million residents live beneath the poverty line. Women often find it difficult to find well-paying work as a result of high rates of illiteracy, poor education, and limited Arabic language skills. For these women, lack of earning potential and reliable income sources stand in the way of opportunity.</p>
Initiative	<p>The Argan Tree is the world's first beauty cooperative, making and selling 100 percent Argan oil beauty products. The cooperative has built an online commerce site and related Facebook page to promote and sell its products, thereby eliminating an intermediary distributor, minimizing costs, and returning more of the profits to the workers.</p> <p>For every litre of argan oil produced, the women receive US \$25, which constitutes approximately 35 percent of the oil's total retail value. This is ten times greater than the average industry allowance of \$2.50 per liter of oil paid to their female workers.</p> <p>The Argan Tree further provides benefits to its members by working in partnership with Volunteer Morocco to improve overall living standards in rural Morocco. The organization helps to promote improvements in education, farming technologies, and health care. Its learning centres focus on reading and computer literacy, so that future generations will have better employment opportunities.</p>

Source:

OECD

World Bank. (2014, April 1). Country Partnership Strategy for the Kingdom of Morocco for the Period of FY14-17. In the *World Bank Report 86518-MA*. Accessed from

http://www.worldbank.org/content/dam/Worldbank/document/MNA/moroccoeps/Morocco_CPS_FIN_AL.pdf

AGRICULTURE

Selling to Smallholder Farmers

Companies provide smallholder farmers with access to agricultural inputs, such as equipment, technology, fertilizer, seeds, etc. in order to improve quality and quantity of agricultural products. Inputs could also come in the form of information and data, often delivered via mobile, which assist farmers in production and decision-making.

Cases: Jain Irrigation Systems Ltd, BASF SE

Inclusive Business Model: Jain Irrigation Systems Ltd.

Company	Founded in 1987, Jain is the largest manufacturer of micro-irrigation systems (MIS) worldwide and a leading processor of fruits and vegetables – the world’s largest in pureed mangos and third-largest in dehydrated onions. The company works in India, the Middle East, Europe, Australia, Central and South America, and the United States and employs 6,000 people. Jain’s MIS enable smallholder farmers to switch to water and energy-efficient irrigation systems which can yield water savings of 30-65 percent over traditional irrigation systems.
Challenge	The traditional mindset of many small farmers in India, their lack of knowledge about micro-irrigation systems, and the relatively high cost of the product posed challenges for Jain. Despite harvest losses during years of low rainfall or drought, farmers remained highly dependent on rainwater irrigation. Farmers further hindered by limited access to finance to purchase the system or saw low productivity due to lack of access to inputs and training on proper use of MIS.
Model	<p>To overcome these challenges, Jain offers farmers inputs – micro-irrigation systems (MIS), seeds, saplings, PVC pipes – financing, and training on good agricultural practices to produce more and higher-quality crops. Jain also purchases fruits and vegetables from farmers for processing and sale in international and domestic markets. In this way, Jain reaches farmers as both consumers and producers.</p> <p>Jain relies on a team of approximately 1,000 of its own agronomists and engineers to engage directly with small farmers in their communities to explain the value of MIS. The company also trains its 4,500 distributors and dealers to teach farmers to use the systems. In addition, each year over 50,000 farmers visit the Jain Hills Research and Development facility to learn the basics of irrigation and agronomy.</p> <p>On the financing side, the Indian government offers farmers a subsidy of approximately 50-70 percent for the purchase of MIS. For the remaining cost, Jain works with banks to facilitate financing and also created a subsidiary – the Sustainable Agro Commercial Finance Ltd. – in 2011 for this purpose. Lastly, JISL procures fruits and vegetables directly from over 10,000 contract farmer suppliers, – 6,000+ for onions and 4,000+ for mangoes – and indirectly through traders who source from over 25,000 farmer suppliers.</p> <p>Through these efforts, Jain has helped smallholder farmer realize annual yield increases between 60-130 percent, and income increases between US \$500-\$6,000. At the same time, the company has tripled its consolidated revenues to top US \$1 billion in 2012.</p>

Source: IFC. (2012). *Inclusive Business Case Study: Jain Irrigation Systems Ltd.* (JISL). Accessed from <http://www.ifc.org/wps/wcm/connect/f6fdcd8047e252ca9d05fd299ede9589/Jain+Temporary.pdf?MO D=AJPERES>

Inclusive Business Activity: BASF SE

Company	BASF is the largest chemical producer in the world, operating since 1865. There are over 110,000 employees around the world. The company’s portfolio ranges from chemicals, plastics, performance products, and crop protection products to oil and gas. In India, BASF Crop Protection sells pesticides through distributors and retailers.
Challenge	The growing global demand for soybeans has resulted in more land being dedicated to its production but overall productivity has remained low because of low fertilization rates, excess seeding, lack of knowledge about farming best practices, and misuse use of crop-protection products. Although soybeans are rapidly emerging as the most important oil seed crop in India, it remains a vulnerable business for the Indian farmers and productivity remained low.
Activity	<p>The BASF Crop Protection team in India figured that there must be a way to build a sustainable business partnership with the country’s farmers. In 2006, the idea for <i>Samruddhi</i>, which means prosperity in Sanskrit, was born: Talk with farmers, find ways to boost yields and profitability, offer hands-on advice, and leave the point of sale with those whom the farmers’ trusted, local retailers.</p> <p>Samruddhi addresses the needs of farmers in a holistic way: trusted experts educate farmers on the timely use of crop-protection inputs, but also about correct fertilization, seed rate and spacing to enable higher yields, and advice on sales and cost-control measures. The focus has shifted from dealers to a focus on farmers. Farmers participating in the program receive direct support and training for two years. After the initial training is complete, farmers are connected to a call center where they can receive ongoing support.</p> <p>In 2007, the BASF India team started a pilot with 30,000 soybean farmers and offered more than 2,000 farmer workshops and about 950 field days. By 2012, the Samruddhi program had 180,000 soybean farmers participating in their programs. Farmers achieved a net profit that was 43 percent higher than non-Samruddhi soybean farmers, while only spending 11 percent more per hectare. BASF, for its part, recorded 60 percent annual growth in business with crop protection products for soybeans from 2006 to 2009.</p>

Source: BASF Re. (2015). “Samruddhi: A farmer training program for sustainable agriculture in India.” Accessed from http://www.agro.basf.com/agr/AP-Internet/en/content/sustainability/best_practices/samruddhi/india-agriculture-project.

EDUCATION

Affordable Education and/or Vocational Training

Inclusive businesses offer programs aimed at low-income students or those who have dropped out of formal education systems via vocational colleges or tertiary institutions. These programs are highly focused on increasing the employability of the graduates by acquiring relevant skills for the labor market. Other companies provide services to improve the quality of primary and secondary education.

Cases: Uniminuto, TTNET, Ericsson, VITAMINE T

Inclusive Business Model: Corporación Universitaria Minuto de Dios (Uniminuto)

Company	Uniminuto is a non-profit tertiary private education institution in Colombia that offers affordable, high-quality technical, technological, and university education through both on-campus and distance learning programs. Established in 1990, Uniminuto focuses on low-income students. It operates independently and through collaborations with other universities and government entities. Uniminuto owns seven teaching campuses, leases space in several more sites, and operates government-sponsored schools in marginalized urban or rural areas as well as two independent community colleges.
Challenge	Access to tertiary education opportunities in Colombia varies based on students' socioeconomic status and proximity to urban centers. In 2013, approximately 34 percent of students were enrolled in tertiary education in Colombia, lower than other middle-income countries in Latin America. Overall, there was an insufficient public supply of accessible and affordable tertiary education for low-income students, and there were limited high-quality, technical, and technologically oriented offerings to prepare students for employment.
Model	<p>Uniminuto focuses on building skills and knowledge for employment in different regions and industries, while also emphasizing social responsibility and human development. Uniminuto's programs are accessible in low-income areas and are flexible in structure, catering to working, part-time students.</p> <p>Uniminuto prices its programs at affordable rates and differentiates rates to align with students' ability to pay in different regions. To assist students in accessing finance, Uniminuto created a cooperative to grant short-term education loans to its students. The cooperative now finances 70 percent of the student body.</p> <p>As of 2013, Uniminuto's national network had 82,000 students enrolled in 48 locations in over 35 municipalities, 68 percent of which were from the lowest-income segments. Uniminuto is financially sustainable, seeing 37 percent annual revenue growth from 2006-2012.</p>

Source: IFC. (2013, December). *Inclusive Business Case Study: Uniminuto*. Accessed from <http://www.ifc.org/wps/wcm/connect/737646804326eea9a83aec384c61d9f7/Uniminuto.pdf?MOD=AJPERES>

Inclusive Business Activity: TTNET

Company	TTNET is Turkey’s leading internet service provider (ISP) and the fifth-biggest ISP in Europe, offering internet, television, and telephone services to 6.33 million customers.
Challenge	There is a very real “digital divide” in Turkey. Out of a population of 82 million people, less than half of Turkey’s citizens have access to the Internet. ¹⁴ Most of those lacking access to the Internet live in regions designated by the Ministry of Development as “disadvantaged.” In 2013, TTNET launched the “Internet 4All” initiative to provide these low-income communities with discounted Internet and digital-based learning.
Activity	<p>TTNET’s pilot program <i>Internet 4All Initiative</i> aims to support Turkey’s development efforts by facilitating access to quality educational support and digital literacy training in more than 20 cities prioritized for economic development by the Turkish Ministry for Development. Its goal is to provide affordable access for new consumers (ensuring that they do not pay a premium for products) and to meet the complex growing telecommunication needs of one of the largest and emerging economies.</p> <p>The TTNET program will provide 30,000 households with access to an online education platform called <i>Vitamin</i>, which provides educational content targeted at primary and secondary school-going children in remote areas of Turkey. This value added service is provided directly to the household, creating access to a vast online library of dynamic interactive educational content and internet literacy trainings.</p> <p>By encouraging more sustainable and expanded internet access, the company hopes to pioneer more affordable services and demonstrate the power of connectivity while simultaneously reducing the digital divide. By 2015, TTNET commits to providing internet literacy training for more than 12,000 people. This growth also represents an important source of customers for TTNET.</p>

Source: Business Call to Action. (2013). “TTNET: Increasing Internet Literacy Among Low-Income Communities in Turkey.” Accessed from <http://www.businesscalltoaction.org/members/2013/10/ttnet/>

¹⁴ Internet World Stats. Accessed from: <http://www.internetworldstats.com/europa2.htm>

Inclusive Business Activity: Ericsson

Company	<p>Founded in Stockholm in 1876, Ericsson is a Swedish multinational provider of information and communications technology (ICT) and employs approximately 115,000 people worldwide. It supports a network that reaches 2.5 billion subscribers in 180 countries. As a leader in the global ICT sector, Ericsson is committed to driving social, economic and political change through widespread internet connectivity and envisions a future where networks can be used to assist people, business, and society in maximizing their potential and developing a more sustainable future.</p>
Challenge	<p>In geographically remote areas of the world, many communities have limited access to schools, teachers, or educational resources. In China, for example, over 70 percent of its population lives in remote rural communities where the level of education is far below the national average. Recognizing the unique ability of mobile broadband technology to reach these communities via its wireless networks, Ericsson has partnered with the Ministry of Education in China to address the imbalances in China's educational system and develop a sustainable solution.</p>
Activity	<p>Ericsson has collaborated with the Ministry of Education and a major service provider in China to develop a sustainable method of distributing interactive educational programs to rural communities. The program offers educational services, specifically geared toward secondary school students and farmers, via affordable mobile phone technology. Through the creation of mLearning apps and tools, Ericsson was able to provide basic education to people in the most remote parts of the world. In China, the success of mLearning programs in rural communities has since spilled over into the more densely populated urban areas.</p>

Source: Groupe Speciale Mobile Association (GSMA). (2010, November). *mLearning: A Platform for Educational Opportunities at the Base of the Pyramid*. London: GSMA. Accessed from <http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2012/04/mlearningplatformforeducationalopportunitiesatthebaseofthepyramid.pdf>

Inclusive Business Activity: VITAMINE T

Company	VITAMINE T is a hybrid social business and partnership program that reintegrates unemployed individuals into the labor market, specifically into jobs that have both economic and social benefits. Based in France, one of its core focus areas is on sustainable consumerism and promoting value creation through recycling as part of its green growth approach.
Challenge	Since the 1970s, France has suffered from growing unemployment and chronic social exclusion. In 2014, unemployment figures in France were at 10.3 percent, with people over 50 from low-qualified and low-income families' making up a large proportion of the jobless. ¹⁵ With limited access to technical training programs, a cycle of poverty persists. Previous attempts to create social enterprises that fill the labor market's requirements have failed as they relied too heavily on public funding. What's more, participants received training but then had little opportunity at real professional employment. On average, only one quarter of participants in these programs received a job offer at the end of their training.
Activity	<p>VITAMINE T has created train to work programs with 13 businesses in various sectors, including food processing, recycling, and human resources. The program provides unemployed individuals with an opportunity to reintegrate into the work force and learn a new trade. Over the course of the training program, trainees gain practical skills to help them launch a new career.</p> <p>Key to VITAMINE T's success is its partnerships with private enterprises that provide the training and expertise, and in some cases recruit individuals after their work integration program. In 2012, 54 percent of individuals finished the program positively, proceeding on to paid work or another training and integration program.</p> <p>For the private companies participating in the program, they benefit from access to green technologies, enhanced reputations, and in some cases market penetration into France. VITAMINE T receives public subsidies to assist in the training of its program participants (EUR 5.8 million in 2012); however, the company reinvests all profits to develop further employment opportunities for individuals.</p>

Source: Ashoka. (2012). Ashoka France Fellow Profile Andre Dupon. Accessed from <http://france.ashoka.org/fellow/andre-dupon>

¹⁵ OECD. (2015). Country Statistical Profile: France 2015. Accessed from <http://www.oecd-ilibrary.org/sites/csp-fra-table-2015-1-en/index.html?contentType=&itemId=%2fcontent%2ftable%2f20752288-table-fra&mimeType=text%2fhtml&containerItemId=%2fcontent%2ftable%2f20752288-table-fra&accessItemIds=>

FINANCIAL SERVICES

Microfinance & Microinsurance

Inclusive businesses provide financial and insurance services directly to those who have been traditionally not able to access or afford these services. Types of microinsurance offerings include life, health, crop, livestock, assets, index/weather, and funeral.

Cases: Tribanco; Itaú Unibanco

Inclusive Business Model: Tribanco

Company	Tribanco is a financial institution established by Grupo Martins in Brazil in 1990. It provides financial and management assistance only for Grupo Martins' retail clients. Grupo Martins is the largest wholesaler and distributor in Latin America with more than 60 years of experience in the region. It distributes food, electronics, home improvement supplies and pet food to more than 465,000 micro, small and medium-enterprises (MSMEs) across Brazil.
Challenge	Brazil is one of the least "banked" middle-income countries with just 62 percent of the total population holding bank accounts. ¹⁶ In the remote and underdeveloped regions of Brazil, where Grupo Martins operates, retailers have limited to no access to financial services. Without access to finance, businesses couldn't pay for stock in advance and ordered only what it could pay for at a given time. Grupo Martins created Tribanco as part of a broader strategy to maintain its market position in the face of foreign retailers entering the Brazilian market and to better service its own retail customers.
Model	<p>Tribanco proactively visits more than 60 percent of Brazilian towns, identifies the most entrepreneurial of the small stores it services, and then partners with them to provide renovation loans, training, and other services to enable them to grow. It offers retailers a mix of credit and non-credit services, including: extending check-cashing services and loans to retailers for purchases or store renovations; issuing Tricard customer credit cards for retail outlet shoppers; and offering capacity-building and business training to retailers.</p> <p>A small team of loan officers, who are full-time Tribanco employees trained in credit risk assessment and analysis, works directly with stores to help them access credit through Tribanco and to educate retailers and customers on financial services outside the Grupo Martins system. After receiving training from credit officers on customer creditworthiness, retailers decide which of their customers are eligible to receive Tricard credit cards. As of October 2014, Tribanco has more than 33,400 MSME clients. While the average loan size across Tribanco's total client base is approximately BRL 63,300 (US \$26,370), its BOP clients—those with monthly store invoices of less than \$100,000—have an average loan size of around BRL 5,330 (\$2,165). About 55 percent of Tribanco's client base falls in the BOP category. In 2009, Tribanco also started to work with insurance through Tribanco Seguros, issuing over 113,000 insurance policies to low-income customers as of 2014.</p>

Source: IFC. (2014, October). *Inclusive Business Case Study: Tribanco*. Accessed from <http://www.ifc.org/wps/wcm/connect/7763430046153d5bafebbf9916182e35/TribancoOct2014.pdf?MO D=AJPERES>

¹⁶ Nakane, M.; de Paula Rocha, B. (2012). *Policy Innovations to Improve Access to Financial Services: The Case of Brazil*. Center for Global Development (CGD) Report. Washington, DC: CGD. Accessed from http://www.cgdev.org/doc/LRS_case_studies/Nakane_PaulaRocha_Brazil_r1.pdf

Inclusive Business Activity: Itaú Unibanco

Company	<p>In 2008, Banco Itaú and Unibanco merged to establish Itaú Unibanco, the largest multinational financial corporation in the Southern Hemisphere. Itaú Unibanco is based in São Paulo, Brazil and extends its banking services to clients in Argentina, Chile, Paraguay, and Uruguay, as well as in several other countries in Europe, North America, and Asia.</p>
Challenge	<p>In Brazil, 85 percent of the population lives in cities and yet 40 percent are still excluded from the formal banking system. The informal sector represented 16 percent of the country's GDP in 2014. Banking and financial institutions often marginalize these informal businesses when it comes to providing basic banking services and microloans. With no previous credit history, these “unbanked” businesses are characterized as high-risk clients to financial borrowers and loan advisors and receive very little support from formal banking institutions. The lack of access to the formal financial market creates a difficult landscape for micro-entrepreneurs and small business owners to operate successful, sustainable businesses.</p>
Activity	<p>Itaú Unibanco is the largest bank in Brazil and one of the largest in the region. In 2011, it announced a microfinance operation aimed at micro-entrepreneurs in the metropolitan regions of Sao Paulo, Rio de Janeiro, and Porto Alegre. Its main goal is to address the needs of urban communities that lack access to formal banking with microfinance and micro insurance products.</p> <p>Through the Itaú Microcrédito program, low-income clients receive financial advice from a team of loan officers who share similar socio-economic profiles. The bank offers micro-loans ranging from R\$400 (US \$150) to R\$14,200 (US\$7,500); most are working capital loans. Itaú Microcrédito also facilitates micro-entrepreneurs' access to financial products and services by reducing the bureaucracy involved in obtaining them.</p> <p>Concerned about client vulnerability and invested in keeping defaults to a minimum, Itaú Microcrédito partnered with Itaú Seguros to launch loan protection micro insurance in December 2011. This product guarantees the payment of the balance due on each loan in the event of accidental death or permanent disability.</p> <p>As of 2014, Itaú is currently serving 100,000 micro entrepreneurs and has an active loan portfolio in this market segment of R\$ 350 million (about US \$175 million). Through this initiative, Itaú Unibanco is also generating knowledge about clients at the base of the economic pyramid, which will feed into the development of new, tailored products.</p>

Sources: Schmidt, J. (2014). *Itaú Unibanco: Banking the Unbanked in Brazil*. A Business Call to Action Case Study. Accessed from http://www.businesscalltoaction.org/wp-content/files_mf/bcta_casestudy_itau_web.pdf

FINANCIAL SERVICES

Mobile Money

Inclusive businesses enable people to transfer and access money and other financial products, often via mobile-based services and platforms. Services may be offered either outside of traditional financial services channels or through existing banking channels.

Cases: Roshan, M-PESA, Hapinoy

Inclusive Business Model: Telecom Development Company Afghanistan Corp (Roshan)

Company	Since its launch in 2003, Roshan has become Afghanistan's leading mobile telecommunications provider with over six million mobile telephony subscribers. Roshan's network is available in 240 cities and towns throughout Afghanistan's 34 provinces. Roshan directly employs over 1,130 people – 96 percent are Afghan nationals and 18 percent of the total are women.
Challenge	Approximately 95 percent of Afghanistan's population is unbanked. Decades of conflict have had a negative impact on the formal financial system and resulted in a low level of trust among people in formal banking. Furthermore, low bank penetration meant accessing banks was difficult for most Afghans. Roshan saw that mobile phones had the potential to deliver financial and value-added services to Afghan citizens through its existing platform and vast network of agents around the country.
Model	<p>Roshan engages low-income people through its core business in two key ways: as customers and as distributors. On the customer side, Roshan offers mobile telephony to 6 million subscribers. It also offers other value-added services such as mobile payments, remittances, and agricommodity prices among other offerings. Modeled after Vodafone's M-Pesa service, Roshan's M-Paisa product was launched in 2008 as Afghanistan's first mobile financial service and now has 1.2 million registered customers. Core features of M-Paisa's value proposition are security, 24-hr accessibility, and ease-of-use. Roshan also educates customers to increase familiarity and create confidence in the service.</p> <p>In addition to M-Paisa, Roshan created Malomat, a service designed to increase transparency in the agriculture sector. Malomat provides farmers, input suppliers, traders, and wholesalers access to real time prices of over 40 commodities. Information about buyers enables farmers to be strategic about what to grow and where to sell crops, while farming tips help improve productivity.</p> <p>A strong distribution network is essential to reach people scattered across difficult terrain. Roshan has developed an agent network by building relationships with 33,000 small entrepreneurs that sell basic necessities to sign-up mobile subscribers, sell airtime, and offer value-added services. Through this investment, Roshan is building its customer base and establishing consumer loyalty in a market where there is still significant room to grow.</p>

Source: IFC. (2014, May). *Inclusive Business Case Study: Roshan*. Accessed from

<http://www.ifc.org/wps/wcm/connect/2e30f3004439990d969ed62a3fbe5e0b/Roshan.pdf?MOD=AJPERES>.

Inclusive Business Model: MPESA

Company	M-Pesa was launched in early 2007, by the leading mobile operator in Kenya, Safaricom (part of the Vodafone Group) with the 6 month pilot phase of the project partly funded by the U.K. Department for International Development (DFID). M-Pesa is a mobile money transfer service, “Pesa” being the Swahili word for money.
Challenge	Prior to the launch of M-Pesa, no competitive money transfer services existed in Kenya. 81% of the population had no access to formal financial services and 38% of people did not use any form of financial services at all – formal or informal. Many Kenyans wanted to reduce their dependency on cash for security reasons. Those who had migrated to the city wanted to avoid having to send money back to their families in their villages with a stranger.
Model	<p>M-PESA is a SMS-based system that enables users to deposit, send, and withdraw funds using their mobile phone. Safaricom positioned the product as a fast, safe and easy way to ‘send money home’. The service also enables airtime purchase, bill payment, ATM withdrawal and purchase of goods and services.</p> <p>Customers do not need to have a bank account and can transact at any of the country’s over 40,000 agent outlets. Registration and deposits are free and most other transactions are priced based on a tiered structure to allow even the poorest users to be able to use the system at a reasonable cost. Transaction values are typically small, ranging from \$5 to \$30.</p> <p>M-PESA benefited from a conducive regulatory environment. The Central Bank of Kenya is actively involved and took an open approach to allowing telecom operators to offer mobile money services without the requirement for bank partnership.</p> <p>M-PESA was the first product of its kind to be introduced in Kenya. The service has grown rapidly since launch, and is currently used by over 17 million Kenyans. Approximately 25% of the country’s gross national product flows through M-PESA. M-PESA has since been extended to offer loans and savings products, and is also used to disburse salaries.</p>

Source:

<http://www.ifc.org/wps/wcm/connect/4e64a80049585fd9a13ab519583b6d16/tool+6.7.+case+study+-+m-pesa+kenya+.pdf?mod=ajperes>

<http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-18>

Social Enterprise: Hapinoy

Company	<p>Hapinoy is a social enterprise that assists predominantly Filipino mothers (Nanays) in becoming micro-entrepreneurs. They provide the education, access to capital and business training that enables these women to set up small, sustainable retail shops (sari-saris) that supply a multitude of different products to their local communities. Also, through their partnership with Qualcomm Wireless Reach, Hapinoy has assisted in spreading mobile literacy and technology throughout the Philippines.</p>
Challenge	<p>Many women in the Philippines lack the technical skills, knowledge and access to capital that would allow them to achieve economic empowerment. Many are in low-paying jobs and do not have control over family properties or income. Consequently, many women live in poverty and are unsuccessful at establishing profitable small businesses.</p> <p>Financial services in the Philippines are also very limited, with only 37 percent of the population having access to formal banking services. The small deposits and loans that are desired in poorer regions make it unprofitable for banks to establish physical banking offices in these areas, offering only online services. As much of the population in these rural and poor areas either have no access to mobile devices, or have no training in how to use them, many go without banking services.</p>
Initiative	<p>Hapinoy provides women with business management and basic accounting training, and assists them in gaining access to capital by connecting them with micro-financing institutions, cooperatives or other lending groups. Hapinoy currently assists 3,000 Nanay micro-entrepreneurs. The sari-sari stores have the dual effect of empowering women and also growing the communities by providing local residents with access to basic products such as medicine and food. Some sari-sari stores offer solar lamps that can be rented, providing environmentally friendly lights to areas without electricity.</p> <p>Hapinoy has partnered with Qualcomm, a U.S.-based organization that designs and markets wireless telecommunications devices and services. Through this partnership Hapinoy has been able to set up the Hapinoy Mobile Money Hub, which supplies its micro-entrepreneurs with the training and technology to operate mobile devices. The women storeowners are then able to offer financial services such as mobile money transfers, bill payments, and banking in addition to their mix of retail products. These transactions cost a minimum of 30 pesos (approximately US \$0.67), but are convenient as often the closest physical banking institution may be hours away.</p> <p>As of December 2012, Hapinoy has trained 1,300 women storeowners. On average, these women see a 20 percent increase in their daily sales and overall daily credits they need to personally extend to their clients. The goal of this program is to train 10,000 more women storeowners by the end of 2015.</p>

Source: Young, S. *Hapinoy: Building Local Business Networks*. Business Call to Action Case Study.

Accessed from http://www.businesscalltoaction.org/wp-content/files_mf/bctacasestudies_hapinoy_web.pdf

HEALTH

Affordable Health Care Services

Inclusive businesses increase access to affordable health care services through a combination of technology and efficient processes.

Cases: Fundación Cardiovascular, Novartis, Ziqitza Health Care Limited, Medic Mobile

Inclusive Business Model: Fundación Cardiovascular (FCV)

Company	Established in 1986 as a nonprofit foundation by a group of cardiologists in Colombia, Fundación Cardiovascular (FCV) has become the largest private sector health care network in the country. FCV offers tertiary level services at hospitals as well as telemedicine, training, manufacturing of hospital products, assembly of bioengineering equipment, and hospital management software among other areas. Approximately 45 percent of FCV's patients are low-income.
Challenge	Colombia faces a high mortality rate due to cardiovascular disease. Patients in small cities and rural areas lack access to hospitals that provide specialized health care, including complex surgery, as doctors in these location focus on primary care. As a result, low-income people in rural areas often forgo health care because of the time and money they would have to spend to travel to a city to access services.
Model	<p>FCV is providing affordable care to low-income consumers through two mechanisms. The first is through its hospitals. FCS owns a hospital in Bucaramanga and operates three more in smaller, second-tier cities. As of 2013, FCV had 600+ beds under management and approximately 45 percent of its patients served annually are low-income.</p> <p>The second approach is via telemedicine. Through this new technology, FCV has significantly expanded its reach to low-income patients in remote areas. Its innovations are helping to increase the efficiency of the health system by reducing referrals to hospitals in cities, facilitating retention of general practitioners in small towns, and cutting costs for hospitals and patients alike. More than 2,800 telemedicine patients have been served between 2011 and 2013. The company works with 48 hospitals in rural areas to provide tele-consultations. As a result, 75 percent of patients served did not need referrals to city hospitals.</p> <p>FCV also partners with the government to expand its reach and bring about system-wide changes. In Bucaramanga, FCV is piloting a digital health system with the government to connect health care professionals at government-run primary health centers to tele-based expertise and diagnostics at specialized facilities including FCV hospitals. FCV has also trained over 770 health care professionals in 23 states. FCV estimates that its telemedicine services have created savings of \$10.5 million over the past two years for the government, insurance companies, hospitals, and patients through reduced cost of transportation, logistics and mobilization, and staff.</p>

Source: IFC. (2014, May). *Inclusive Business Case Study: Fundación Cardiovascular*. Accessed from <http://www.ifc.org/wps/wcm/connect/075d358044275d11ab3bbb869243d457/FCV.pdf?MOD=AJPERES>

Inclusive Business Activity: Novartis

Company	<p>Novartis, a Swiss-based multinational pharmaceutical company, is the largest health care company in the world. It was created in 1996 in Basel, Switzerland, and now employs about 120,000 people worldwide. One of Novartis' core values is to improve health conditions for those living at the BOP by increasing global access to health care, providing low-income communities with affordable drugs and supplying them with the education necessary to make better decisions regarding their health and well-being.</p>
Challenge	<p>In rural India, over 800 million people are living in poverty with little to no access to health care services, trained medical professionals, and basic health education. With an average income between one and five dollars per day, many people in these communities cannot afford essential medicines and services, such as antibiotics and painkillers. Furthermore, sanitation conditions are so poor that people frequently suffer from easily curable illnesses and diseases, such as diarrhea and cholera. By improving access to affordable treatments and basic health education in rural India, Novartis can achieve its goal of serving the BOP population.</p>
Activity	<p>In 2007, Novartis developed <i>Arogya Parivar</i> (Hindi for "health family"), an inclusive business model that uses a market-based approach to provide affordable medicines for the low-income market and to improve health education and infrastructure in rural India. Through the <i>Arogya Parivar</i> pilot program, Novartis initially focused on offering affordable generic medicines and primary care treatments through subsidiary companies in India.</p> <p>However, Novartis quickly recognized that the issues were much deeper than just poor access to medicines; rural India's health care system was severely lacking in infrastructure and general health education.</p> <p>Novartis therefore adjusted its strategy in India by adding a program that offers education on diseases, treatment and prevention and by expanding existing networks of health professionals to improve the health infrastructure. Today, the Argoyya Parivar program deploys a team of local health educators and health supervisors to teach their communities about health-related issues. Sick people are referred to NGOs. Sales supervisors, meanwhile, increase local medicine access by relaying information to pharmacists about new and existing products and their appropriate usage.</p> <p>Since 2007, Argogya Parivar has improved access to health care in 33,000 villages, home to 42 million people, provided training to over 50,000 doctors and pharmacies in rural areas, and educated 2.5 million patients.</p>

Source: Young, S. *Novartis: Commercial Innovation for Improved Health*. Business Call to Action Case Study. Accessed from http://www.businesscalltoaction.org/wp-content/files_mf/bctacasestudy_novartis_web.pdf.

Social Enterprise: Ziqitza Health Care Limited (ZHL)

Company	<p>Founded in 2005 by a group of young professionals, Ziqitza Health Care Ltd. (ZHL) operates a network of fully equipped ambulances across the developing world to act as a robust emergency response mechanism, runs state-of-the-art 24/7 call centers with ambulance tracking systems, and equips ambulances with personnel trained in basic and advanced life support with the vision of assisting in saving human lives.</p>
Challenge	<p>Despite progress in the health care sector, India has yet to establish a comprehensive emergency medical services (EMS) system that can be accessed by all, including the BOP. Mumbai and other cities in India lack reliable ambulances or emergency medical response services. To get to the hospital, people use auto rickshaws, private cars, or van “ambulances” that have no medical equipment or trained technicians. Moreover, there was no ambulance service that covered the entire city or state or could be reached 24 hours a day.</p>
Initiative	<p>ZHL is built on two models for emergency transportation: Dial1298, a fully private service, and Dial 108, a public service supported by state governments. For its 1298 model, Ziqitza operates a private ambulance service in Mumbai, Kerala, Bihar, and Punjab that charges wealthier patients more to be transported to private hospitals, using that revenue to “cross subsidize” its discounted or free service to lower-income patients.</p> <p>In addition, ZHL operates an “Ambulance Outsourcing” model where ZHL provides a fully equipped ambulance with a trained driver and a paramedic to hospitals who outsource this aspect of their business to concentrate on their core specialties of treating patients.</p> <p>Beginning with just 10 ambulances in 2005, ZHL now operates more than 800 in 17 states across India. During this period of growth, the firm has served more than 2.5 million people – many of whom live below the poverty line – including more than a half-million pregnant women. At present, the firm estimates its market share is approximately 25 percent, with annual revenue of roughly US \$20 million.</p>

Source: Lewis, A. (2014, January 15). “Ziqitza ambulances make money while serving India’s poor.”

Posted to *NextBillion* blog/*Christian Science Monitor* blog. Accessed from

<http://www.csmonitor.com/World/Making-a-difference/Change-Agent/2014/0115/Ziqitza-ambulances-make-money-while-serving-India-s-poor>

Social Enterprise: Medic Mobile

Company	<p>Medic Mobile has the legal form of non-profit organization run entirely through donations. Medic Mobile is a mobile and web application that has messaging, data collection and analytical software functions, and is used to enhance health outcomes in developing areas. Medic Mobile connects community care coordinators with their nearest health care organization, allowing them to gather and distribute health information instantaneously between local residents and health officials. Medic Mobile is currently used in rural Asia, Africa, Latin America, and the Caribbean.</p>
Challenge	<p>For many rural communities around the world, lack of access to health facilities is a serious problem. In Malawi, for example, there is a single hospital serving 250,000 people who live as far as 100 miles away. Without local health care options or any means of reporting health crisis, information regarding health trends or disease outbreaks may take weeks to reach health care officials in more populated areas.</p>
Initiative	<p>Medic Mobile uses mobile technology to bring health care facilities to individuals in rural areas. Automated information is sent to the health workers via text message – SMS – to prompt them to remind pregnant women about upcoming appointments and remind parents to vaccinate their children. The mobile technology operates off of free and open source software and is accessible from inexpensive cell phones. Health workers use this low-frills, easy-to-use technology to monitor their patients remotely and to coordinate between local health care providers and doctors in other cities around care.</p> <p>In the relevant rural areas, Medic Mobile has led to a doubling in the number of births that occurred in a medical facility rather than at home. At the end of 2013 there were 7,386 community health workers in 21 countries.</p>

Source: OECD

HEALTH

Nutritional / Healthy Products

Inclusive businesses develop nutritional and other health-related products for BOP markets.

Cases: Phillips Healthcare Services Limited, Envirofit

Inclusive Business Activity: Phillips Healthcare Services Limited (PHSL)

Company	Phillips Healthcare Services Limited (PHSL) is a subsidiary of the Phillips Pharmaceuticals Group of companies. PHSL was established to offer focused and specialized services to donor-funded projects. It provides forecasting and quantification, procurement, warehousing, and order management processes support.
Challenge	Malnutrition is a significant problem affecting 35 percent of Kenya’s population. Evidence suggests malnutrition in the first two years of life has lasting impacts on children’s physical and cognitive impairment. Micronutrient deficiency usually begins developing at around six months of age, when children are weaned off their mother’s milk and begin receiving complementary semi-solid foods. At this point, infants’ intake of critical vitamins and minerals may be insufficient to meet their nutritional requirements, increasing their risk of anemia and other micronutrient deficiencies.
Activity	<p>PHSL has embarked on an initiative aimed at increasing access to micronutrient powder (MNP) for low-income children in Kenya age 6–59 months. Since many donor-funded programs offering MNP for free are unable to assure long-term sustainability, PHSL is implementing a business approach that was designed to improve long-term outcomes. By targeting health care workers and creating a sustainable distribution network, PHSL is able to provide training and information on home fortification and infant and young child feeding practices in even the most remote areas of Kenya.</p> <p>To develop a market for home fortification with MNP, the business increases awareness among consumers through a variety of marketing techniques with local families. It then ensured the availability of MNP – even in remote locations – using its distribution and marketing channels. Finally, the company set affordable prices for government and private customers through high distribution volume to ensure economic viability.</p> <p>PHSL plans to expand its pilot nutritional supplement program to reach more than 150,000 young children with Micronutrient powder (MNP) by 2018.</p>

Source: “Making Micronutrient Powder Accessible in Kenya.” (2014, July 31). Business Call to Action Press Release. Accessed from <http://phsl.co/downloads/PHSL%20BCtA%20Press%20Release.pdf>

Social Enterprise: Envirofit

Company	Envirofit is a global cook stove manufacturer that designs, produces, and markets affordable stoves in developing countries so as to reduce the burning of wood, waste, and charcoal. The stoves are more efficient and have less environmental impact than the burning of biomass fuels.
Challenge	Approximately three billion people worldwide use biomass fuels to cook on open fires or inefficient stoves each day. Such fuels have a large environmental impact; it is estimated that cook stove fires account for 25 percent of black carbon emissions worldwide. Cooking over open or “dirty” fires is incredibly dangerous to health with 4.3 million people dying each year from exposure to the dense black smoke created when cooking over open fires.
Initiative	<p>Envirofit produces a variety of compact cook stoves that are engineered not only to be high-quality, but also affordable for emerging market consumers, costing the equivalent of one to three weeks wages. Compared to traditional open fire cooking, Envirofit stoves reduce harmful emissions by up to 80 percent, cooking time by up to 50 percent, and fuel usage by up to 50 percent.</p> <p>In Kenya, Envirofit has partnered with Kaluworks – a leading provider of cookware – to improve production, supply chain, business development and increase sustainable revenue. Through its relationship with the company, and Envirofit’s vast network of community partners, the stove maker plans to reach more households and scale-up its model focused on creating a market for improved cook stoves across Latin America, India, and the African continent.</p> <p>To date, Envirofit has sold over 850,000 stoves across Africa, Asia, and Latin America. Envirofit assists its customers in obtaining microfinance loans in order to pay for the stoves, but also estimates that the stoves “pay for themselves” within six months due to the fuel and time cost savings.</p>

Source: Business Call to Action. “Envirofit: Distribution of clean cooking technology through a partnership in Kenya.” *Business Call to Action* website. Accessed from <http://www.businesscalltoaction.org/members/2013/11/envirofit-international/>.

HOUSING

Affordable Housing & Housing Finance

Inclusive businesses make home ownership possible for lower-income buyers through a combination of value and facilitated access to mortgage financing. Through lower-cost designs and energy efficiencies, developers reduce the cost for homebuyers. Developers also assist first-time homebuyers in navigating financing and learning how to maintain the home and the community.

Cases: VINTE, CEMEX Patrimonio Hoy

Inclusive Business Model: VINTE

Company	Founded in 2001, VINTE is a homebuilder specializing in affordable, sustainable housing for low- and middle-income families in Mexico. As a vertically integrated company, VINTE's operations span land acquisition, housing design, housing development planning, construction, marketing, and sales. VINTE's shareholders have a collective vision to raise housing standards in Mexico while providing innovative, value-added affordable housing.
Challenge	Mexico has 26.7 million households, of which 17.8 million own homes considered to be in adequate condition. Around 75 percent of the estimated shortage of 8.9 million houses is concentrated in the affordable housing segment. By 2030, Mexico's population is expected to reach 121 million people, creating demand for 11 million additional new houses. This market opportunity is a key driver of VINTE's business model. In particular, VINTE as a niche player is focusing on the central region of Mexico where 40 percent of housing demand is concentrated.
Model	<p>VINTE prides itself on balancing affordability with quality products that fulfil customer dreams of home ownership. Its research and development in cutting-edge technologies is helping the company to introduce innovations that save homebuyers on ongoing home maintenance costs. For example, VINTE's homes are designed to reduce gas bills by 75 percent and have the option of rooftop solar cells to generate energy and reduce electricity bills. VINTE focuses on building communities, providing shared courtyards, playgrounds, and community rooms.</p> <p>Following the sale of a housing development, VINTE has a yearlong transition period during which it manages the development, teaching residents basic property management skills and community values. The end result is that VINTE's housing developments stand out from the competition in terms of both design and maintenance. After-sales services such as home maintenance and re-sale assistance are other important elements of VINTE's offering. Government-sponsored programs have been instrumental in enabling VINTE's customers to access housing finance.</p> <p>As of June 2012, VINTE had sold more than 11,000 homes. Due to its after-sales services and sustainable designs, each of VINTE's home models has increased in value over time, reaching up to 10 percent annually – becoming valuable assets for low- to middle-income families, as well as for the mortgage providers that supported VINTE's customers. For VINTE, the investment in affordable homes has paid off with net revenues increased by more than 105 percent between 2008 and 2011.</p>

Source: IFC. (2012, August). *VINTE*. IFC Inclusive Business Case Study. Accessed from

<http://www.ifc.org/wps/wcm/connect/a17779004d3330ed89e2cdf81ee631cc/VINTE.pdf?MOD=AJPERES>

Inclusive Business Activity: CEMEX Patrimonio Hoy

Company	<p>CEMEX is a Mexican multinational company based in San Pedro, Mexico. It is the second-largest building materials company in the world, with approximately 44,000 employees on four continents. CEMEX produces materials used to build houses, such as cement and ready-mix concrete, and aggregates and distributes the products to more than 50 countries. The company prides itself on its strong social responsibility agenda and ability to improve the lives of others through market-based solutions.</p>
Challenge	<p>Mexico faces a growing housing deficit, with 34 percent of Mexican families living in poor-quality homes. The majority of these families rely on self-constructed buildings. Research conducted by CEMEX shows that in Mexico, the low-income informal housing segment consumes between 30-40 percent of all bagged cement produced in the country. High market fragmentation, limited buying power, and little brand loyalty make serving this segment both complicated and costly. In addition, because self-builders lack sufficient negotiating power, construction knowledge and storage opportunities, low-income families waste around 30 percent of purchased material, which often leads to slowdowns or even abandonment of their construction.</p>
Activity	<p>CEMEX launched Patriomonia Hoy (PH) in 1998 specifically to address these challenges, providing low-income families with access to financing, materials and expertise based on collaborative community network engagement. The PH initiative helps families obtain the necessary materials through well-planned savings and credit arrangements and equips them with the technical know-how on constructing their homes.</p> <p>The success of the program relies on an effective collaboration between CEMEX distributors, community-based promoters, and the families themselves. Promoters advertise PH's products in local markets or by going door-to-door. Each new family that signs up receives advice and assistance to meet the specific housing needs of each participating low-income family; access to customized financing to meet their needs; access to quality building materials; and construction service support to meet the needs of individual customers.</p> <p>Through this initiative, CEMEX has had a positive impact on the lives of over 2 million people in Latin America by empowering individuals, particularly women, and providing families with sustainable alternative housing options. In addition, the business has seen gains of an additional US \$6.5 million, selling 60 thousand tons of cement per year.</p>

Source: Schmidt, J. (2014). *CEMEX Patrimonio Hoy: Providing integral housing solutions for low-income families*. Business Call to Action Case Study. Accessed from http://www.businesscalltoaction.org/wp-content/files_mf/bcta_casestudies_cemex_ph_final.pdf.

UTILITIES (ENERGY & WATER)

Last-mile utility delivery

Inclusive businesses improve access to water and/or power utilities through innovative grid or off-grid approaches.

Cases: Manila Water Company, Promigas, Panasonic, 100fontaines

Inclusive Business Model: Manila Water Company

Company	Manila Water Company (MWC) provides water and wastewater services. As the private concessionaire of the government-owned Metropolitan Waterworks and Sewerage Systems (MWSS) since 1997, Manila Water serves over 6.3 million people from 23 municipalities of Manila's east service zone, 1.7 million of which are considered BOP. The company has also expanded to other cities in the Philippines and Vietnam.
Challenge	In the 1990s, Manila faced a crisis in its water distribution network – spotty access across service zones and leaks in aging mainlines. Only 58 percent of people living in the service area had water service and only 26 percent had 24-hour access. Low-income households relied on water from public faucets, water tankers, street vendors, or pipes tapped into illegally. Only 3 percent had sewer coverage. In 1997, the government turned over the operations of water and wastewater systems to the private sector to improve its service offering.
Model	<p>When the government turned over the operations of water and wastewater systems to the private sector, MWC became responsible for installing water infrastructure and for operations. MWC had a clear business case for reaching low-income areas: underserved, low-income households have demonstrated a willingness to pay for safe, reliable water, and connecting them means reaching new markets while reducing MWC's costs from inefficiencies and illegal connections.</p> <p>MWC worked with the local and municipal governments to reduce costs by waiving permit fees, providing small subsidies, or offering construction labor. Through MWC's social tariff program, the company was able to provide affordable rates and flexible payment schemes for low-income customers. In informal settlements and other very low-income areas, the company uses local social connections to improve payment rates. Community member administer collections and conduct meter monitoring and maintenance. This helps build a sense of local ownership and responsibility, which promotes on-time payment and discourages water pilfering.</p> <p>MWC turned a loss-making operation into a financial, social, and environmental success story. EBITDA grew from a PHP 37 million loss in 1997 to PHP 8,405 million in 2011, representing an average increase of almost 33 percent growth per year. Manila Water has also successfully met its concession targets. By 2011, a total 4,156 kilometers of pipeline had been laid and it has served over one million households, reaching over six million people, with 1.7 million BOP customers.</p>

Source: IFC. (2012, August). *Inclusive Business Case Study: Manila Water Company*. Accessed from <http://www.ifc.org/wps/wcm/connect/160ac4804d332fd589acddf81ee631cc/Manila+Water.pdf?MOD=AJPERES>

Inclusive Business Model: Promigas

Company	<p>Promigas is one of the largest and oldest private utility providers of natural gas in Colombia. Through its five distribution companies, Promigas serves 2.9 million households—approximately 25 percent of the country’s total population.</p>
Challenge	<p>Approximately 88 percent of Promigas’ residential customers in Colombia belong to the country’s lowest-income strata. Because the cost of a new home connection can be as much as three times the monthly income for these families, Promigas and its five distributors have developed a financing scheme to make connections more affordable for low-income customers. Building off of this program, the company has developed a lending program that covers other household expenditures.</p>
Model	<p>Promigas has connected more than 90 percent of Colombia’s lowest-income customers to the natural gas network for the first time through a financing scheme in which new customers pay US \$25 up front, and then spread the remaining amount over several months for up to a maximum of 72 months. Because natural gas costs less than other available energy sources, customers generally recoup their investments in four to six years through energy cost savings.</p> <p>As market penetration increased and more and more new customers paid off their connections, Promigas’ revenues from that part of the business began to decline. The company realized that with more than 30 years of financing new home connections, it had developed a “hidden asset”: knowledge of the payment habits of two million clients, 70 percent of whom had no other access to the financial system, and did not have credit histories available to other companies.</p> <p>Promigas leverages this asset and retain its “share of wallet” by offering their clients credit for other uses once they had paid off their gas connections. The company conducted a large-scale survey and found that people needed credit for home improvements, starting their own businesses, school fees, household appliances, and emergencies. Promigas realized that by offering financing it could create additional value for consumers, differentiate itself from competitors, and connect with the next generation of customers.</p> <p>Promigas launched a new financing product focused on home improvements and appliances in December 2007 under the Brilla name. In 2011, the company included financing for technical and technological education. Brilla offers loans of the same amounts clients had borrowed for their gas connections, at market interest rates and with repayment periods of up to 60 months. No down payment, co-signer, or collateral is required.</p> <p>To date, more than one million borrowers have benefited from Brilla credit, 94 percent of them in low-income segments. For Promigas, the move has resulted in net revenues of \$40 million in 2013, up from \$1.5 million in Brilla’s first year.</p>

Source: IFC. (2014, May) *Inclusive Business Case Study: Promigas*. Accessed from

<http://www.ifc.org/wps/wcm/connect/35840a804d33303289becdf81ee631cc/Promigas.pdf?MOD=AJPERES>

Inclusive Business Activity: Panasonic

Company	<p>Panasonic Corporation is one of the largest electronic product manufacturers in the world, comprised of over 680 companies and over 270,000 employees worldwide. Panasonic manufactures and sells a wide-range of products such as electronics components, home appliances, audio-visual appliances, factory appliances, and information equipment. To reach new markets and support many off-the-grid and low-income communities in Africa and Asia, the company is expanding its offerings to meet the needs of low-income communities.</p>
Challenge	<p>Approximately 1.3 billion people around the world lack access to electricity and reliable lighting solutions, many of whom live in developing Asia or sub-Saharan Africa. Homes in these regions commonly use kerosene lamps for lighting, but the fire and smoke from these lamps pose serious fire and health risks. Unable to emit sufficient light, they also significantly restrict what people can do at night. Similarly, energy deficiency hinders the delivery of effective social services, education, and health care.</p>
Activity	<p>Utilizing its expertise in energy solutions, Panasonic has developed a new high-quality and affordable solar lantern with a 3.5-watt solar panel, which provides light for as long as 90 hours. The Panasonic lantern can also charge cell phones. Launched in Indonesia, Myanmar, and Thailand in early 2014, these lanterns are also being made available in Bangladesh, Cambodia, Kenya, and Malaysia.</p> <p>Panasonic’s model is focused on providing low-income communities with greater access to affordable light, which is especially critical at night. Solar light is a valuable tool that allows children to study after dark, merchants can keep shops open, and medical clinics can stay open through the night. Further, a cell phone charger also allows people to benefit from a range of mobile services and generate income by charging other people’s phones.</p> <p>Further, by replacing kerosene lamps with its solar lanterns, Panasonic is helping to reduce low-income households’ spending on kerosene, which can cost up to US\$100 per year. The solar lanterns will also contribute to eliminating pulmonary sickness caused by kerosene lamps.</p> <p>For low-income people living in remote areas with no retail stores, Panasonic is establishing its own solar lantern distribution networks in collaboration with local community groups. In fiscal year 2012, the first year of the project, Panasonic donated a total of 10,000 solar lanterns to Myanmar (3,000 units), India (5,000 units) and Kenya (2,000 units).</p>

Source: Panasonic. (2015). “100 Thousand Lanterns Solar Project.” Accessed from <http://panasonic.net/sustainability/en/lantern/about.html>

Social Enterprise: 1001fontaines

<p style="text-align: center;">Company</p>	<p>1001fontaines is an international NGO that provides rural communities with safe, sustainable drinking water. It trains and equips local micro-entrepreneurs with the necessary skills and equipment to treat water using its innovative disinfection process, which these entrepreneurs then distribute to the local community. Current investments focus primarily on Cambodia although the model is being extended to India and Madagascar.</p>
<p style="text-align: center;">Challenge</p>	<p>Around 900 million people in rural areas worldwide lack access to safe drinking water. These rural villages do not have the financial capacity or technical knowledge required to safely clean their water sources. As a result, many drink contaminated water that often leads to infections including typhoid and cholera. In Cambodia, 38 children per 1,000 die before the age of five, often due to preventable diseases such as diahrea. 1001fontaines aims to arm Cambodians with an inexpensive, self-sustaining technology and business model for clean drinking water.</p>
<p style="text-align: center;">Initiative</p>	<p>1001fontaines has developed an innovative water disinfection and distribution process which involves pumping water from the nearest available source, decanting it, disinfecting it using ultraviolet light, and then distributing the water to the local community for as little as US \$0.01 per litre. The water is distributed to houses in 20-litre water containers which are recollected after use, cleaned, and re-used to distribute water again.</p> <p>The operations are run by local micro-entrepreneurs, who are recruited, trained, and equipped with the required technology and skills to operate the business. In return, the micro-entrepreneurs earn a portion of the profit from the sale of the water, the remaining sum contributing to the maintenance of the equipment.</p> <p>The model is currently funded through grants and subsidies, and has partnered with the social venture fund <i>danone.communities</i> as it scales up to new communities in India and Madagascar.</p> <p>Since 2005, 1001fontaines has launched its program in 11 villages in Cambodia and has more than 180,000 beneficiaries in Cambodia, India, and Madagascar. The model is currently being revised so that the micro-entrepreneurs can procure affordable loans to purchase the equipment. Such loans would be repaid using the profits from the water sales. They would, also, allow 1001fontaines to scale-up its operations drastically, as the enterprise would no longer be limited by its access to funds from grants and subsidies.</p>

Source: 1001fontaines. (2015). "Approche." Accessed from <http://www.1001fontaines.com/fr/approche>

Annex III: Policy Instruments to Enable Inclusive Business

Inclusive business policies comprise a variety of approaches and corresponding instruments that are available to governments to facilitate direct linkages between the private sector and the BOP. Inclusive business policy is an emergent field and much more research and application is needed to get to “best practice.” The particular mix of instruments adopted by a government will ultimately depend on the specific policy objective and context, and will therefore vary from context to context.

In this Annex, we expand upon the policy instruments identified in the G20 Inclusive Business Framework: Establishing rules and regulations; enhancing access to financial resources; providing information and raising awareness; and strengthening the capacity of the BOP and of inclusive businesses.¹⁷ The instrument descriptions are intended to facilitate exploration of available options and to assist in devising useful policy measures.

Areas for future research include:

- What is the evidence regarding the effectiveness of current inclusive business policies?
- What are success factors for the policy-making process, given that inclusive business policies often cut across established government departments and involve multiple stakeholders?
- How do different inclusive business policy instruments interact to achieve greater effectiveness? What components need to be part of a national inclusive business policy strategy?

Areas of government intervention and policy instruments identified in the Framework

Subsections	Instruments
Establishing Conducive Rules and Regulations	
1. Review existing regulations that limit BOP participation in market activities	1.1 Legal framework for market participation of the BOP
2. Embed pro-poor targets into government contracts	2.1 Public-private partnerships and concessions
3. Introduce appropriate regulations for inclusive businesses	3.1 Legal framework for businesses with a social mission
Enhancing Access to Financial Resources and Providing Financial Incentives	
4. Improve access to financial resources for the BOP	4.1 End-user subsidies 4.2 Insurance programs 4.3 Credit facilities
5. Enhance access to finance for inclusive businesses and provide financial incentives	5.1 Challenge funds and matching grants 5.2 Public procurement 5.3 Priority lending programs 5.4 Credit guarantees

¹⁷ The policy instruments are presented in the order in which they are discussed in the Framework and do not imply level of importance or hierarchy.

	5.5 Emerging Instruments: Factoring, Financing Leasing, Equity Financing
Providing Information and Raising Awareness	
6. Compile and share BOP market data	6.1 BOP market data
7. Provide information to the BOP	7.1 Awareness raising within the BOP
8. Raise awareness on inclusive business	8.1 Award programs 8.2 Research on models 8.3 Forums for peer learning
Strengthening the Capacity of the BOP and of Inclusive Businesses	
9 Align vocational training for the BOP with private sector needs	9.1 Vocational training programs
10 Implement projects in partnership with the private sector	10.1 Development partnerships
11 Support business services for inclusive businesses	11.1 Align business development services

Establishing Conducive Rules and Regulations

1. Review existing regulations that limit BOP participation in market activities

Instrument 1.1: Legal framework for market participation of the BOP

Description

A legal framework for market participation makes it easier for the BOP to take part in companies’ value chains. Policies that empower the BOP through the legal system include formalizing informal firms; granting official identification document; and ensuring low-income people and groups have the appropriate land titles.

A thorough understanding of the workings of the BOP market is a precondition for improving the legal framework for market participation. For informal markets for example, reliable data on the number of people involved, transaction volumes, or typical conflicts and business issues are rarely available, as these transactions and businesses never show up in revenue offices or courts. Participatory research with the target group will not only reveal challenges, but will also point to potential solutions.

Case Example

Mexico: Flexible requirements to open low-value, low-risk accounts

A significant percentage of the population in Mexico lacks access to formal financial services, even the most basic ones. In the interest of fostering the design and supply of products focused on serving the unbanked, financial authorities joined efforts to identify aspects of the regulatory framework that could pose obstacles for expanding financial access.

One of the main obstacles identified was the unequivocal implementation of Know Your Customer (KYC) requirements. Agent banking – an approach in which an agent acting on behalf of a financial institution opens bank accounts – allowed for an increase in the number of access

points within unbanked areas. However, enforcing KYC requirements as part of the account-opening procedure makes it too cumbersome and/or expensive for agents to effectively operate.

Financial sector authorities in Mexico have adopted a tiered approach to allow for more flexible account requirements for low-value, low-risk accounts that are subject to increasing caps and restrictions on permitted transactions. Opening requirements increase progressively as such restrictions on transactions are eased.

Through dialogue with Mexico's Secretariat of Finance and Public Credit (SHCP) and its Financial Intelligence Unit, Unidad de Inteligencia Financiera (UIF), stakeholders were able to identify regulatory obstacles to the agent banking approach. These discussions allowed for the development of innovative approaches that might help both to enhance financial inclusion and to advance AML/CFT objectives. Lastly, cooperation with financial authorities and relevant policy makers worldwide is also of great help as it is helpful to observe the obstacles that need to be tackled and draw lessons from practical approaches, in order to adjust them so that they suit national circumstances.

Source: Faz, X; Dias, D; Lopez-Moctezuma, C; & Samaniego, B (2011, 19 May). A Bold Move Toward Simplifying AML/CFT: Lessons from Mexico. Consultative Group to Assist the Poor blog. Retrieved from: <http://www.cgap.org/blog/bold-move-toward-simplifying-amlcft-lessons-mexico>

Further Examples

- Albania: Case Study: Edipack: A Paper Recycling Pioneer
http://growinginclusivemarkets.org/media/cases/Albania_Edipack_Caselet_2010.pdf
- Argentina: President Cristina Fernández de Kirchner enacted law criminalizing child labour and another one extending private household workers' rights
http://www.trabajo.gob.ar/downloads/otros/130411_trabajoinfantil_casasparticulares_eng.pdf
- Brazil: Policies for the Formalization of Micro and Small Enterprises in Brazil
http://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/documents/publication/wcms_318209.pdf
- Paraguay: Case Study: The 'Aguateros' of Paraguay
Page 65-76: www.idrc.ca/Documents/105185-The-Silent-Partner-book.pdf
<http://web.mit.edu/urbanupgrading/upgrading/case-examples/ce-py-agu.html>

Additional Resources

- Chen, M.A. (2007). Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Regulatory Environment. Department of Economic and Social Affairs (DESA) Working Paper No 46. New York: United Nations.
- Development. Alternatives, Inc., & Bannock. Consulting Ltd. (2005). Removing Barriers to Formalization: The Case for Reform and Emerging Best Practice. Washington, DC: U.S. Agency for International Development.
- International Labour Organization (2014). Transitioning from the Informal to the Formal Economy. *Report V(2) from the International Labour Conference 103rd Session 2014*.
- Ishengoma, E., Kappel R. (2006). Economic Growth and Poverty: Does Formalisation of Informal Enterprises Matter? Hamburg, Germany: German Institute of Global and Area Studies (GIGA).

- Singh, A., Jain-Chandra, S., & Mohommad, A. (2012). Inclusive Growth, Institutions, and the Underground Economy. International Monetary Fund (IMF) Working Paper No. 12/47. Washington, DC: IMF.
- Vanek, J. et al (2014). Statistics on the Informal Economy: Definitions, Regional Estimates & Challenges. Women in Informal Employment Globalization and Organizing (WIEGO) Working Paper No 2. Cambridge, MA: WIEGO.

2. Embed pro-poor targets into government contracts

Instrument 2.1: Public-private partnerships

Description

A public-private partnership (PPP) is a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.¹⁸ PPPs enable the public sector to mobilize additional financial resources and to benefit from the expertise and efficiencies of the private sector.

PPP models differ with respect to the degree of sharing of resources, responsibilities, and risks. Typical models include a public service concession, joint venture, and management contract. More recently the PPP concept has broadened to incorporate a wider range of actors and cooperation models including:

- **Output-based aid (OBA) models:** OBA contracts and outcome mechanisms aim to serve the needs of the BOP through innovative tools such as development impact bonds or pre-financing mechanisms.¹⁹ Development impact bonds aim to incentivize private sector investment in critical areas of need. Outputs could include, for example, connection of BOP households to electricity grids or water supply systems. Pre-financing mechanisms are incorporated into OBA contracts as to help cover the period between project start-up and project delivery.
- **Inclusive models:** As local capacity and resources increase and countries gain experience with PPP instruments, an increasing number of partnerships are being led and driven by the local private sector partners including smaller (social) enterprises, community organizations, or NGOs.

PPPs are best leveraged in sectors or industries where there is a direct impact on the well-being of the BOP, including water, energy, health, infrastructure, and agriculture. These can be designed in such a way that requires the private sector to engage with BOP communities and offer goods and services at a level and quality that the BOP need and can afford.²⁰

¹⁸ The term public-private-partnership as applied here does not include other type of development partnership arrangements such as information sharing, voluntary contributions by the private sector to public ends or jointly run research & innovation projects. (For more information about PPPs, see: <https://www.pppknowledgelab.org/ppp-cycle/what-ppp>)

¹⁹ For example, development impact bonds remunerate the private sector based on social outcomes rather than on financial performance.

²⁰ Dutch Ministry of Foreign Affairs (2013). Public-Private Partnerships in Developing Countries. [A systematic literature review.] Policy of Operations and Evaluation Department (IOB) Study No 378. Netherlands: Dutch Ministry of Foreign Affairs.

Points to Consider

- **Award procedure:** PPPs entail more discretionary evaluation criteria than traditional public procurements, which increase complexity as well as the risk of corruption. Project results may be compromised by official preference for local participation, preferred sub-contractors or suppliers, and the employment of poorly qualified local staff.
- **Overlapping interests:** PPPs work best if the goals of all parties are aligned and interests of key participants are skillfully designed, negotiated, and packaged.
- **Regulatory frameworks:** A strong regulatory framework to balance the interests of government, the private sector, and beneficiaries is important. In particular, this includes the right of the private sector to levy cost-recovery tariffs; a level playing field between incumbent public providers and applicants; and an effective monitoring mechanism to ensure long-term delivery and service quality. The challenge is to balance the need for flexibility in order to provide for unexpected circumstances with protection against undue political interference and the need for predictability.

Case Example

Philippines: Partnering to bring water to BOP communities

Following an acute water supply crisis in 1997, the Government of the Philippines privatized the Metropolitan Waterworks and Sewerage System and to partition its operations into two concessions. A consortium of partners forming the Manila Water Company (MWC), presented the winning bid. The group was awarded a 25-year concession for the water and wastewater system in Manila's east zone, which provides service to over 6 million people.

The concession included targets to increase water and sewer coverage, achieve 24-hour supply, meet water quality and environmental standards, and decrease non-revenue water. To ensure that the company would meet the targets, MWC was obliged to post a \$70 million performance bond that permitted the government to withdraw up to \$50 million from the bond for non-compliance.

As low-income consumers are an important demographic within the service zone, MWC developed the *Tubig Para Sa Barangay* (TPSB) program which translates to "Water for Poor Communities." The program is a partnership between local government and communities to extend water supply to BOP communities that had not been served previously. Partnerships typically involved local communities in the design and planning of water facilities and allocated much of the operational, maintenance, and fee collection responsibilities to community representatives. Local governments provided hands-on assistance with design and construction, small subsidies or waiving of permit fees, while MWC covered most of the initial capital expenditure.

Today, MWC has successfully met all of the targets in its concession. By 2011, a total 4,156 kilometers of pipeline had been laid and MWC was providing to service to over one million households and reaching over six million people. Approximately 1.7 million people were serviced through the TPSB program.

Through this unique PPP, these low-income customers now have 24-hour access in 99 percent of the distribution area, at water pressures high enough to conveniently use faucets and enable indoor plumbing.

Sources:

International Finance Corporation (IFC) (2012). Manila Water Company. In *Inclusive Business Models – Guide to the Inclusive Business Models in IFC’s Portfolio* (pp. 40-41). Washington, DC: IFC.

Rivera, Virgilio Jr. C. (2014). The Case Study of Manila Water Company: An Exercise in Successful Utility Reform in Urban Water Sector. In *Tap Secrets: The Manila Water Story*. Manila: Asian Development Bank and Manila Water.

Further Examples

- Public-Private Partnerships in Developing Countries
<http://www.government.nl/documents-and-publications/reports/2013/06/13/iob-study-public-private-partnerships-in-developing-countries.html>
- Guatemala: Rural Electrification Guatemala Case Study
http://www.esc-pau.fr/ppp/documents/featured_projects/guatemala.pdf
- Brazil: Belo Horizonte Schools
https://library.pppknowledgelab.org/attached_files/documents/1970/original/SuccessStories_Brazil_BeloHorizonteSchools.pdf?1432100767
- Egypt: Alexandria University Hospitals
https://library.pppknowledgelab.org/attached_files/documents/1976/original/SuccessStories_EgyptAlexHospitals.pdf?1432100773
- India: Punjab Silos
https://library.pppknowledgelab.org/attached_files/documents/1979/original/SuccessStories_PunjabSilos.pdf?1432100774

Additional Resources

- Global Partnership on Output-Based Aid (GPOBA): GPOBA funds, designs, demonstrates, and documents OBA to improve the delivery of basic services in developing countries.
<https://www.gpoba.org/>
- Public-Private Infrastructure Advisory Facility (PPIAF) at the World Bank: PPIAF is a multi-donor trust fund that provides technical assistance to governments in developing countries in support of the enabling environment conducive to private investment, including the necessary policies, laws, regulations, institutions, and government capacity.
<http://www.ppiaf.org/>
- The PPP Knowledge Lab: An online resource on public-private partnerships curated by multilateral development finance institutions and multi-donor entities. .
<https://www.pppknowledgelab.org/>
- PPP Network: A peer learning and knowledge-sharing platform.
<http://pppnetwork.ning.com/>
- Center for Global Development (CGD): Development Impact Bonds: CGD has partnered with UK-based Social Finance to explore and share information about Development Impact Bonds.
<http://www.cgdev.org/initiative/development-impact-bonds-o>

3. Introduce appropriate regulations for inclusive businesses

Instrument 3.1: Legal framework for business with a social mission

Description

Governments can support and facilitate social enterprises by acknowledging their special character and contribution. By officially defining “business with a social mission” as a form, the government creates a basis from which it can provide direct support for these enterprises. Defining specific legal forms is uncommon; however, doing so means the government can implement tax exemptions or reductions; provide low-cost loans; devise favorable public procurement mechanisms; expand on fiduciary duties to reflect stakeholders other than shareholders; or provide technical assistance.

Points to consider

The most challenging aspect of creating a new legal form for business with a social mission is defining what is and what is not socially valuable. In principle, all business activity contributes to social objectives by meeting people's needs, generating economic growth, and fostering overall well-being. In order to set business with a social mission apart, governments have to recognize specific business goals and objectives as particularly valuable from a social perspective such as tackling critical challenges in education or health care. No matter where the line is drawn, criticism can be expected from those actors beyond that line. To mitigate against this, governments should work to build a consensus around social business with key stakeholders including civil society organizations (CSOs) and private-sector associations.

Case Example

United Kingdom: Establishing a new class of business

In the early 2000s, the United Kingdom (U.K.) government convened a Social Investment Task Force and created a Social Enterprise Unit within the Department for Trade and Treasury. After a few years of socializing these concepts, the government introduced a new type of company – a community interest company (CIC) – for social enterprises that used their profits and assets for the public good.

The CIC form was established under the Companies (Audit, Investigations and Community Enterprise) Act of 2004. CICs could be established as companies limited by guarantee or by shares but that have additional features to safeguard their social mission. To be considered a CIC, a company must satisfy a community interest test. This test requires a community interest report be placed on the public register of the company on an annual basis. Unlike registered charities, CICs can pay their directors. However, CICs cannot return profits and surpluses to members unless they are asset-locked bodies and do not receive tax exemptions.

Today, CICs exist in 14 different sectors but are primarily active in the following sectors: Social and Personal Services; Education, Health and Social Work; and Real Estate and Renting. CICs are one of the fastest growing community-oriented enterprise movements in the country. Roughly one in every 200 new companies in 2013 was a CIC, and in August 2014 there were almost 10,000 CICs on the regulator's register. While the introduction of the CIC in the U.K. has been evaluated as a great success, development of a new legal form is a long process and requires dedicated institutions.

Sources:

Community Interest Companies Association (2015). What is a CIC? Retrieved from <http://www.cicassociation.org.uk/about/what-is-a-cic>

New Zealand Department of Internal Affairs (2013). Legal Structures for Social Enterprise. Auckland, New Zealand: Department of Internal Affairs.

Further Examples

- Canada: British Columbia Ministry of Finance: Community Contribution Company
<http://www.fin.gov.bc.ca/prs/ccc/>
- Lithuania: Ministry of Social Security and Labour: Social Enterprises
<http://www.socmin.lt/en/social-enterprises.html>
- Luxembourg: The government council adopts a law for the creation of Social Impact Businesses
<http://www.mte.public.lu/actualites/articles/2015/06/2015-06-05-SIS/index.html>
- South Africa: The Department of Trade and Industry Integrated Strategy on the Development and Promotion of Cooperatives
www.dti.gov.za/economic_empowerment/docs/coops/legis_policy/coop-strategy.pdf
- USA: Benefit Corporation website is a knowledge and resource hub for social enterprises run by B Lab.
<http://benefitcorp.net/>

Additional Resources

- Heckl, E., Pecher, I. (2007). Study on Practices and Policies in the Social Enterprise Sector in Europe. Vienna, Austria: Austrian Institute for SME Research and Turku School of Economics in Finland.
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Enhancing Access to Financial Resources and Providing Financial Incentives

4. Improve access to financial resources for the BOP

Instrument 4.1: End-user subsidies

Description

Subsidies are typically provided to stimulate demand for products that have socially desirable outcomes. In the past, subsidies on goods have often been provided to the companies that produce them. Governments are increasingly seeking to bolster market forces and stimulate competition among firms by providing subsidies directly to the products’ users. These kinds of subsidies may also drive user-oriented innovation and efficiency gains. Subsidies can also play an important role when users need some initial experience in order to grasp a product’s benefits or where positive external effects exist. As consumers adapt to the new product, subsidies can be rolled back or discontinued.

Vouchers are one method by which to administer “smart” subsidies to end customers. Vouchers have the advantage as compared to cash transfers that their use is predefined, thus directing

expenditure towards the specific products or services with the desired social benefits. Moreover, voucher schemes can represent a partial subsidy, which – unlike giving out products for free – allows firms to gauge user demand and willingness to pay. The level of the subsidy can subsequently be reduced over time as customers start to recognize the value of the products.

Points to consider

- **Instrument:** Subsidies can be expensive and can displace commercial purchases. To determine the most appropriate and effective subsidy instrument, it is critical to first identify the market failure that it should address and whether that market failure is real or perceived.
- **Implementation:** End-user subsidies require careful implementation. Eligible target groups must be clearly identified and any agreements with intermediaries should be defined to ensure that the subsidy is properly distributed. Subsidies should build on existing private distribution networks. As with all financial incentives, subsidies are prone to abuse and it is necessary to maintain a clear understanding between the theory and the practice of how it is being implemented.
- **Timeframe:** While user subsidies can, in principle, be used to correct market failures and stimulate markets, experience suggests that they are often difficult to terminate. Therefore, establishing a credible, time-limited exit strategy is crucial. If stakeholders expect the support to continue indefinitely, they are less likely to prepare for a point in time when consumption of the inputs will take place purely and sustainably on market terms.

Case Example:

India: National Mission on Micro Irrigation

The growing population and demand for food security in India in the early 2000s led to a need for increased agricultural production. Increasing the use of irrigation in agriculture would be critical to meeting this need.

In 2006, the Government of India launched the Centrally Sponsored Scheme on Micro Irrigation, which was later expanded as the National Mission on Micro Irrigation (NMMI). The objective of the program was to save water, reduce poverty and enhance food security. As part of the program, most states began to provide a subsidy for the cost of installing a micro irrigation system. Many states subsidized over 70 percent of the cost, however the portion covered by the subsidy varies from state to state. The subsidy is limited to 5 hectares per farmer and farmers must use their own funds or borrow to cover the remaining portion of the cost. Farmers must apply for the subsidy and the implementing agency is tasked to process applications within 60 days.

As a result of the program, the area under micro irrigation increased from 11,817 hectares in 2005 to over 3.6 million in 2012. While total irrigated land is only 5 percent of the total potential area, an evaluation of the program in 2014 showed that farmer productivity increased 40-50% and that the cost of irrigation declined, on average, by one third. Micro irrigation also helped farmers to reduce their use of electricity and fertilizer.

Source: http://agricoop.nic.in/imagedefault/Impact_Evaluation_Study_June-2014.pdf

Further Examples

- Brazil: Minha Casa, Minha Vida: A program of the Brazilian government that helps Brazilians own their homes.
<http://www.caixa.gov.br/voce/habitacao/minha-casa-minha-vida/Paginas/default.aspx>
- Colombia: Quality Access to Higher Education: Subsidized student loan rates for low-income students pursuing higher education
<http://www.icetex.gov.co/dnnpro5/es-co/archivopaginas/inenglish/programsincolombia.aspx>
- India: National Mission on Micro-Irrigation: The Government of India and participating state government's partially subsidize the cost of micro-irrigation technologies.
<http://www.ncpahindia.com/articles/article18.pdf>
- Kenya: Vocational Education Voucher Delivery and Labor Market Returns: A Randomized Evaluation Among Kenyan Youth
http://siteresources.worldbank.org/INTHDOFFICE/Resources/VocEd_SIEF_Report_2011-04-07_final.pdf

Additional Resources

- Minot, N.; Benson, T. (2009). Fertilizer Subsidies in Africa – Are Vouchers the Answer? International Food Policy Institute (IFPRI) Issue Brief 60. Washington, DC: World Bank Group.
- World Bank (2007). *New approaches to input subsidies*. World Development Report 2008: Agriculture for Development policy brief. Washington, DC: World Bank Group.

Instrument 4.2: Insurance programs

Description

Insurance programs for the BOP empower them to participate in markets by protecting them against risks, such as illness, injury, damage, or loss. The BOP are often more vulnerable to such risks because they are less able to cope with the financial burden caused by unexpected occurrences. Despite this, the BOP are typically ignored by mainstream commercial insurers.

Governments can share the risk of covering BOP communities by: providing fully or partially subsidized coverage for specific services; or paying customers' premiums and entrusting private sector insurers with the operation of the scheme.

Case Example

Mexico: Extending insurance to rural smallholder producers

With an agricultural sector which accounts for 3.8% of the GDP (2011) and employs 13.7% of the population, climate hazards are closely monitored by the Mexican government. Farmers are highly vulnerable to droughts and cyclones. Credit in the rural agricultural sector is also scarce, but one way to access it is through banks which accept insurance as a guarantee for a loan. Therefore, access to insurance is even more crucial to these farmers.

As a result, the state set up Agroasemex, a public institution which offers rural insurance and reinsurance products. It is both a national insurance organization and development agency that provides reinsurance for Mexican insurance institutions, mutual societies, and insurance funds.

Agroasemex provides stop-loss insurance of up to 100 percent of the total sum insured to mutuals of smallholder farmers. As a result, farmers don't pay for insurance, Agroasemex rather collects the premium from federal and state governments.

The reinsurance subsidy provided by Agroasemex has remained important since it was introduced. As of 2009, Agroasemex's Catastrophic Agricultural Insurance covered an estimated 3 million hectares in 18 states.

Sources:

Agroasemex (2015). www.agroasemex.gob.mx/

Vargas Hill, R.; Gajate-Garrido, G.; Phily, C.; & Dalal, A. (2014). Using Subsidies for Inclusive Insurance: Lessons from Agriculture and Health. Microinsurance Paper No. 29. Geneva, Switzerland: International Labour Organization.

http://worldbank.mrooms.net/file.php/350/community-pdf/SelfInsurance_mexico_English_Edited.pdf

<http://www.grameen-credit-agricole.org/en/content/foundation-organises-study-tour-agricultural-insurance-mexico>

Further Examples

- Brazil: *Garantía Safra*: Crop Insurance scheme services small and medium producers in rural areas.
<http://thebrazilbusiness.com/article/rural-insurance-in-brazil>
- India: *Rashtriya Swasthya Bima Yojna* provides health insurance coverage for families living below the poverty line.
www.rsby.gov.in/about_rsby.aspx
- Mongolia: Index-based livestock insurance scheme protects farm herders against livestock loss due to extreme cold.
<https://openknowledge.worldbank.org/bitstream/handle/10986/2432/538810PUBoGove101OfficialoUseoOnly1.pdf?sequence=1>
- Philippines: Presidential Decree No. 1460, or the Insurance Code, allows cooperatives providing insurance to also register for insurance purposes.
<http://www.gov.ph/2013/08/15/republic-act-no-10607/>

Additional Resources

- Aggarwal, A. (2010). Impact Evaluation of India's 'Yeshasvini' Community-based Health Insurance Programme. In *Health Economics*. Volume 19, Issue Supplement 1: pp 5–35. New York, NY: John Wiley & Sons, Ltd.
- Chuma, J.; Mulupi, S.; & McIntyre, D. (2013). Providing Financial Protection and Funding Health Service Benefits for the Informal Sector: Evidence from Sub-Saharan Africa. Working Paper No. 2. South Africa: UK Department for International Development.
- da Silva, C. & Rankin, M. (Eds.). (2013). *Contract farming for inclusive market access*. Rome, Italy: Food and Agricultural Organization.
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GTZ). (2010). Scoping Mission for an Agricultural Insurance Feasibility Study in Brazil (Amazônia and Mata Atlântica). Berlin, Germany: GTZ.

- India Insurance Regulation and Development Authority (IRDA).2014. *Annual Report 2013-2014*. New Delhi, India: IRDA.
- La Forgia, G. & Nagpal, S. (2012). *Government-Sponsored Health Insurance in India. Are You Covered?* Washington, DC: World Bank Group.
- Sinha, T. (2005). The Indian Insurance Industry: Challenges and Prospects. Retrieved from <http://ssrn.com/abstract=792166> or <http://dx.doi.org/10.2139/ssrn.792166>
- Yellaiah, J. (2013). Health Insurance in India: Rajiv Aarogyasri Health Insurance Scheme in Andhra Pradesh. In *International Organization of Scientific Research (IOSR) -Journal of Humanities and Social Science*. Volume 8, Issue 1 (Jan. - Feb. 2013), pp. 07-14. IOSR.
- *Global Health and Foreign Policy*, GA Res 66/115, United Nations General Assembly, 66th Sess, 2012.
- Nicolle, E. & Mathauer, I. (2010). Administrative Costs of Health Insurance Schemes: Exploring the Reasons for their Variability. Discussion paper 08/2010. Geneva, Switzerland: World Health Organization.

Instrument 4.3: Credit facilities

Description

Microfinance extends microcredit and financial services to the estimated 2 billion working-age people at the BOP who are unbanked or who have no credit history.²¹ Affordable credit opportunities offer low-risk microloans that can be combined with support from trusted loan advisors to enable the BOP to make informed financial decisions. Such programs make financial products and services more affordable for the BOP and help consumers build credit history. They can also empower BOP entrepreneurs, smallholder farmers, and producers by providing them with the financial services necessary to run a successful business.

Governments can encourage responsible microfinance programs and services by involving the private sector in the process of developing poverty reduction strategies, maintaining macroeconomic stability, and aligning the regulatory framework. The impact of these interventions will indeed depend on country-specific factors, such as market structure and maturity, governmental capacity, customer demand, and supervisory committees. It is critical that the BOP's financing needs are properly understood and that existing market penetration is effectively measured. Governments can leverage the existing network of regulatory agencies to expand coverage to low-income markets and to provide a more comprehensive assessment of the market and its risks. This can help policymakers avoid duplicative regulations and increase interoperability among market actors.

Case Example

El Salvador: Launching a national lending program for affordable housing

The affordable housing market in El Salvador is traditionally been underserved by large, formal banks. As a result, this segment of the market comprises a large portion of the nation's overall housing deficit.

Fondo Nacional de Vivienda Popular (FONAPIVO), part of a larger national lending program for affordable housing options in El Salvador, is a state-owned, national low-income housing fund. Actors from both the public and private sectors, including multilateral institutions and

²¹ Consultative Group to Assist the Poor (CGAP). (2015). "Microfinance FAQs." Retrieved from <http://www.cgap.org/about/faq>

commercial banks, mobilize resources and channel them to microfinance institutions that provide services to low-income borrowers who otherwise do not have access to credit.

With an initial five-year, \$7 million loan from the Inter-American Development Bank, FONAVIPO provided financing to 55 microfinance institutions around the country. These institutions subsequently provided loans to 2,300 low-income families in need of housing. In contrast to traditional commercial banks, these microfinance institutions operate under a unique set of rules and regulations in order to serve the needs and interests of the low-income market.

In addition to its role as a second-tier financial lender, FONAVIPO administers a government subsidy program that offers grants of up to \$3,000 for low-income customers to purchase homes. Through its information and advisory center, the program also provides technical assistance to assist homeowners manage bureaucratic processes associated with homeownership.

Source: Inter-American Development Bank (IADB). Public-Private Partnership for Low-Cost Housing Investments. IADB Fact Sheet.

http://publications.iadb.org/bitstream/handle/11319/7049/Public_Private_Partnership_for_Low_Cost_Housing_Investments.pdf?sequence=1

Further Examples

- Morocco: Microfinance Client Protection in Morocco
<http://www.centerforfinancialinclusion.org/publications-a-resources/client-protection-library/415-client-protection-in-morocco>

Additional Resources

- Duflos, E. & Imboden, K. (2004, June). The Role of Governments in Microfinance. Consultative Group to Assist the Poor (CGAP) Donor Brief No. 19. Washington, DC: CGAP.
- Ehrbeck, T.; Pickens, M.; & Tarazi, M. (2012, 15 February). Financially Inclusive Ecosystems : The Roles of Government Today. Consultative Group to Assist the Poor (CGAP) Focus Note No. 76. Washington, DC: CGAP.
- Faz, X.; Mazer, R.; Araujo, R.; & Navajas, S. (2013, 23 May). Consumer Lending and Financial Inclusion in Latin America. Consultative Group to Assist the Poor blog.
<http://www.cgap.org/blog/consumer-lending-and-financial-inclusion-latin-america>
- Inter-American Development Bank (IADB). Public-Private Partnership for Low-Cost Housing Investments. IADB Fact Sheet.
http://publications.iadb.org/bitstream/handle/11319/7049/Public_Private_Partnership_for_Low_Cost_Housing_Investments.pdf?sequence=1

5. Enhance access to finance for inclusive businesses and provide financial incentives

Instrument 5.1: Challenge funds

Description

Enterprise challenge funds award grants or subsidies through a competitive process to private sector organizations that submit solutions with an explicit public purpose. Companies working

within a specific sector are invited to submit project proposals for inclusive businesses that aim to solve a stated development problem and generate high pro-poor impact. Challenge funds can trigger new ideas and innovative solutions or promote the scale-up or growth of existing solutions. Proposals are assessed against transparent and pre-determined criteria.²² Successful applicants must often match a certain percentage of the grant with own financing and/or in-kind contributions.

The number and volume of funds has grown rapidly since the 1900s. Funds ranges from approximately \$1.5 million or less up to \$207 million and can address a variety of issues, sectors, or countries or on just one sector or country. Companies are attracted to challenge funds due to their risk-willing capital, rather than the access to subsidies.²³

Points to consider

- **Management requirements:** Enterprise challenge funds tend to be administratively demanding with management costs accounting for approximately 20-50 percent of total budget allocation. The delegation of fund management to an independent organization is an option.
- **Evaluation requirements:** Enterprise challenge funds lack adequate impact measurement systems. Critics point out that there are still very few evaluations of challenge funds to date. Furthermore, those evaluations seem to be focused too much on management issues and not enough on the evidence for the additionality of the funding and on the systemic pro-poor impact.²⁴

Case Example:

Global: Incentivizing innovation in Agriculture, Health, and Nutrition

In 2012, nearly 870 million people worldwide suffered from chronic undernourishment. While cereal yields in developed countries average 5.1 tons per hectare, average yields in Africa are only 1.2 tons per hectare. To keep pace with the growing agricultural needs of developed and developing countries, Australia, Canada, the United Kingdom, and the United States, in partnership with the Bill and Melinda Gates Foundation, launched AgResults, a \$118 million multilateral initiative incentivizing and rewarding high-impact agricultural innovations.

AgResults incentivizes private sector investment and innovation in the field of smallholder agriculture through prizes that promote the uptake of new technologies. These prizes are awarded to the private sector based on the achievement of pre-defined results and are intended to overcome existing failures that impede the development of sustainable commercial markets for such technologies. By enabling the private sector to promote new technologies, significant development outcomes can be achieved in heightened food security, increased smallholder incomes, and improved health and nutrition. In addition to uncovering solutions to bolster food security, the fund aims to test the effectiveness and efficiency of pull financing in the promotion and adoption of innovative agricultural technologies.

²² O’Riordan, A.; Copestake, J.; Seibold, J.; & Smith, D. (2013 December). Challenge funds in international development. Research paper. Retrieved from <http://www.tripleline.com/wp-content/uploads/2013/12/Challenge-Funds-in-International-Development.pdf>

²³ Brain, A.; Gulrajani, N.; & Mitchell, J. (2014): Meeting the challenge: How can enterprise challenge funds be made to work better? EPS-PEAKS Working Paper. Retrieved from <http://www.globaleconomicgovernance.org/meeting-challenge-how-can-enterprise-challenge-funds-be-made-work-better>

²⁴ Additionality means that challenge funds are channeling resources to the private sector that result in investments and activities which would not otherwise have happened (at all, or in the same way, extent, or time).

AgResults' portfolio of pilot projects represents a diverse mix of agriculture and food security issues, focusing on either the adoption of existing technologies or the development and adaptation of new research and technologies. Current pilots focus on Aflatoxin reduction, improved on-farm storage, and bio-fortified maize for smallholder farmers. The pilots are being implemented in Zambia, Nigeria, and Kenya. While the pilots have shown early promise, there are issues with uptake as smallholder farmers are risk-averse and less willing to adopt unknown technologies. Another issue is finding private sector partners with sufficient expertise and access to capital to adequately pilot these innovations.

Sources:

AgResults. (2015) Retrieved from www.agresults.org.

Elliott, K.A. (2013, March 25). Agriculture Innovation in Action: What's Next for the AgResults Initiative? Center for Global Development (CGD) blog. Accessed from <http://www.cgdev.org/blog/agriculture-innovation-action-what%E2%80%99s-next-agresults-initiative>

Further Examples

- Africa: The African Enterprise Challenge Fund
<http://www.aecfafrica.org/>
- Afghanistan: Afghanistan Business Innovation Fund
<http://www.imurabba.org/>
- Pacific and Southeast Asia: Enterprise Challenge Fund for The Pacific and Southeast Asia
<http://www.enterprisechallengefund.org/>

Additional Resources

- Brain, A.; Gulrajani, N.; & Mitchell, J. (2014): Meeting the challenge: How can enterprise challenge funds be made to work better? EPS-PEAKS Working Paper. Retrieved from <http://www.globaleconomicgovernance.org/meeting-challenge-how-can-enterprise-challenge-funds-be-made-work-better>
- Pompa, C. (2013). *Understanding Challenge Funds*. London: Overseas Development Institute.
- Swedish International Development Agency (SIDA). (2012). *Challenge Funds: A guide based on SIDA's and other actors work using Challenge Funds in development assistance/as a method for development*. SIDA Guidelines. Stockholm: SIDA.

Instrument 5.2: Public procurement

Description

Public procurement can represent up 20-30 percent of gross domestic product (GDP) of less developed economies. Sustainable public procurement (SPP) can provide a powerful tool to drive demand for goods and services that benefit BOP.²⁵

²⁵ The United Nations Environment Programme (UNEP) defines sustainable public procurement as a "process whereby public organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life cycle basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst significantly reducing negative impacts on the environment." Retrieved from: http://www.unep.org/10yfp/Portals/50150/10YFP%20SPP/Brochure_SPP%20Programme_10YFP_June15.pdf

SPP considers value for money as set by public authorities along economic, environmental, and social dimensions.²⁶ It can generate growth, reduce costs over a product's life cycle, support the transfer of skills and technology, and encourage innovation. From the social perspective, SPP can create employment, improve equity and diversity, respect core labor standards and human rights, as well as contribute to poverty alleviation and inclusion of disadvantaged communities. Thus, SPP can be a driver of inclusive business strategies for companies that aim to sell to government.

In the past decade, multilateral development institutions such as the World Bank, the United Nations, and the Asian Development Bank have revised their procurement policies committing to purchasing products that promote social and environmental sustainability.²⁷ The World Food Program, for example, procures agricultural products from smallholders under its "Purchase for Progress" program thereby enhancing their access to markets and strengthening value chains.

Points to consider

- **Perception and awareness:** In many developing countries awareness about the benefits of SPP is still limited. Where it is being discussed, both government officials and consumers often perceive SPP as being more expensive than traditional procurement. This is also due to the fact that few public sector agencies have data available to argue the case for sustainable public procurement effectively, such as the long-term financial savings, its impact on target groups, or its achievement of set targets.²⁸
- **Capacity:** Knowledge and skills among procurement staff on cross-cutting issues such as environment, social, and community development are often limited. As the decentralization of procurement processes increases, the human resource capacity constraint sector is likely to grow.
- **Clarity:** There is a lack of a generally accepted definition of sustainability or inclusiveness, nor an agreed upon verification method. Without clarity on definitions, practical guidance, and strong monitoring systems, there is a risk that the integration of social (and environmental) criteria in procurement may distort fair competition and open the door for corruption.
- **Tools:** Many public sector procurement reforms in emerging and developing countries do not sufficiently integrate SPP in their programs. Nations that embark on general public procurement reform have therefore usually left out sustainability considerations or developed two separate systems.
- **Success factors:** According to a United Nations Environment Programme (UNEP) study carried out in 2011 and 2013, the three largest drivers for establishing successful SPP systems include the national legislation, strong political and organizational leadership, and policy commitments. Additional conditions for success included linking SPP with broader development goals and policy initiatives (e.g. entrepreneurship development, PPPs, or sustainable financial systems development) as well as support by donor organizations.²⁹

²⁶ Socially responsible procurement is discussed as part of a sustainable procurement strategy throughout this Annex.

²⁷ Independent Evaluation Group. (2014). *The World Bank and Public Procurement—An Independent Evaluation. Volume II: Achieving Development Effectiveness through Procurement in Bank Financial Assistance*. Washington, DC: World Bank Group.

²⁸ O'Rourke, A.; Leire, C.; Bowden, T. (2013). p. 39.

²⁹ Ibid.

Case Example:

Chile: Opening up government procurement markets to MSMEs

In 2009, only 1 percent of the Chilean government's procurement orders met sustainability targets. *ChileCompra*, the Public Procurement and Contracting Bureau in Chile, set a target to increase SPP to 15 percent by 2012.

ChileCompra operates under the supervision of the president through the Ministry of Finance. It uses a combination of tools, including policy and legal reforms, development of guidelines, provider accreditation, labels to indicate products are eco-friendly, and training and capacity building. Chile also launched a comprehensive online procurement portal, www.mercadopublico.cl, which organizes many of these tools and resources and provides useful guidance to potential vendors.

The program has proven successful. By the end of 2011, ChileCompra exceeded its original SPP target and was up to 17 percent of purchases orders meeting sustainability criteria. Through this effort, ChileCompra was also able to award more procurements to MSMEs and vendors from outside Santiago.

Sources:

O'Rourke, A.; Leire, C.; Bowden, T. (2013). *Sustainable Public Procurement: A Global Review*. UNEP Full Report. Paris, France: UNEP.

UNEP, 2012. *Sustainable Public Procurement: A global review. Final Report, Annex*.

Further Examples

- Brazil: Programa de Aquisição de Alimentos
<http://www.mds.gov.br/segurancaalimentar/aquisicao-e-comercializacao-da-agricultura-familiar>
- Germany: Public Procurement as Social Policy? An introduction to social criteria in public procurement in Germany
http://www.uni-bielefeld.de/soz/powi/pdf/WPCGO1_Sarter_Sack_Fuchs_Public_Procurement_Aug14.pdf
- India: Public Procurement Policy for Micro and Small Enterprises: A Perspective
<http://pib.nic.in/newsite/erelease.aspx?relid=77047>
- South Africa: Public Procurement 2015
<http://www.iclg.co.uk/practice-areas/public-procurement/public-procurement-2015/south-africa>

Additional Resources

- European Commission. (2010). *Buying social: A Guide to Taking Account of Social Considerations in Public Procurement*. Luxembourg: European Union.
- O'Rourke, C.; Leire, C.; Bowden, T. (2013). *Sustainable Public Procurement: A Global Review*. UNEP Full Report. Paris, France: UNEP.
- Roos, R. (2012). *Sustainable Public Procurement: Mainstreaming sustainability criteria in public procurement in developing countries*. Report by Centre for Sustainability Management, Leuphania University. Lüneburg, Germany: Leuphania University.

- Roos, R. (2013). *Sustainable Public Procurement in LICs: Implications for the Ongoing World Bank Procurement Review*. Report funded by Gesellschaft für Internationale Zusammenarbeit (GIZ). Berlin, Germany: GIZ.
- Sustainable Public Procurement Resource Center
<http://www.sustainable-procurement.org>
- Sustainability Compass Public Procurement Platform
<http://www.sustainability-compass.com/>

Instrument 5.3: Priority lending programs

Description

By encouraging financial intermediaries to carry out targeted lending programs, governments can promote access to finance for inclusive businesses. Priority lending programs can allocate a certain portion of a country's total lending budget to a few key sectors or regions where inclusive businesses tend to be most active, such as agriculture, health, education, energy, water, and sanitation.

Additionally, governments can increase access to finance for inclusive businesses by encouraging banks to directly support these businesses in specific regions or communities and by attracting banks and other mainstream institutions to invest in funds that finance them. It is important to note that improvements in access to finance for inclusive businesses are not dependent on banks alone, but there is also a growing group of non-bank financial institutions (NBFIs) funding these businesses.

Case Example:

Turkey: Enhancing access to finance for MSMEs

Launched in October 2010, the Greater Anatolia Guarantee Facility (GAGF) aims to facilitate MSMEs access to finance in Turkey's developing regions. A partnership between the Republic of Turkey, the European Union Commission, and four Turkish banks, the goal of the GAGF is to enhance access to finance for SMEs and micro-enterprises in the less developed regions of Turkey by generating EUR 938 million in loans. GAGF covers 43 developing provinces which are home to 25% of Turkey's MSMEs, but who historically receive only 10% of the country's MSME lending.

The GAGF provides portfolio guarantees and loans to SMEs through the four selected banks. The European Investment Fund also provides a counter-guarantee to Kredi Garanti Fonu of Turkey to issue guarantees to micro loans. SME access to finance components are complemented by a capacity building component targeted at the partner banks, Kredi Garanti Fonu and the Internal Trade of the Ministry of Customs and Trade.

Between 2011 and 2013, over EUR 440 million was provided to more than 5,300 micro enterprises and SMEs. GAGF is a successful example for blending of public and private funds, with an important leverage ratio of more than 20 times.

Source: European Investment Fund. (2015). Greater Anatolia Guarantee Facility (GAGF). Accessed from http://www.eif.org/what_we_do/resources/gagf/index.htm

Further Examples

- Brazil: Earmarked Credit
http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PRODO000000000289730/Brazilian+banking+sector+%E2%80%93+a+view+from+30,000+feet.pdf?kid=dbr.inter_ghpen.headline
- Germany: Federal Family Minister Schröder: We need social innovations to gear up for the future
https://www.google.de/search?q=https://www.kfw.de/KfW-Group/Newsroom/Aktuelles/Pressemitteilungen/Pressemitteilungen-Details_9718.html&ie=utf-8&oe=utf-8&gws_rd=cr&ei=nSS6VfOUOoSSsgGlr5-4DA

Additional Resources

- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) India MSME Umbrella Programme. (2014). *Beyond Equity: Financial Innovations for Social Enterprise Financing*. New Delhi: GIZ. Accessed from <https://www.giz.de/de/downloads/giz2014-en-msme-innovations-social-enterprise-financing.pdf>
- Impact Investing Policy Collaborative (IIPC). (2012). Priority Sector Lending in India. IIPC Case Study No. 12. Accessed from http://globalpolicy.iipcollaborative.org/wp-content/uploads/sites/5/2014/10/Framework_India-Case-study.pdf
- Nathan Associates, Inc. (2013): *Re-Prioritizing Priority Sector Lending in India: Impact of Priority Sector Lending on India's Commercial Banks*. Accessed from www.nathaninc.com/sitesrelated:/default/files/Priority_Sector_Lending_India.pdf
- Perry, G. (2011). *Growing Business or Development Priority? Multilateral Development Banks' Direct Support to Private Firms*. Washington, DC. Accessed from http://www.cgdev.org/files/1424992_file_Perry_MDB_Direct_Support_FINAL.PDF
- Rao Raghuttama, R. (2014). *Priority Sector Lending (PSL) and Inclusive Growth*. Federation of Indian Chambers of Commerce and Industry's Financial Foresights, Vol. 4/Issue 3. New Delhi: FICCI.

Instrument 5.4: Credit guarantees

Description

Guarantees – a type of “insurance policy” protecting banks and investors from the risks of non-payment – have been a mainstay of financial markets globally for many years. They play an important role in helping the private sector make investments that promote growth and create jobs.

Developmental guarantees are a special category of official guarantees backing projects that promote the development. These guarantees can provide the measure of security needed to bring on board more private risk capital and are a valuable instrument for mobilizing private resources from private companies, banks, individuals, NGOs, self-help groups, or investment funds.

Credit guarantees can be used in a myriad of ways, such as i) backstopping financing for large-scale, multi-year infrastructure projects, ii) lengthening the maturities of loans to small enterprises, iii) refinancing municipal utilities, iv) enabling local banks to enter new markets

such as mortgage or microenterprise lending, or v) deepening capital markets by facilitating local-currency bond issues.

Guarantees for development supported a total of \$15 billion from private sector actors for investments in the developing world from 2009 to 2011 with volumes doubling from \$3 billion to \$6 billion. The OECD's Development Assistance Committee is exploring the scope for a new database that could help the development cooperation community understand where resources are being mobilized by guarantees, what types of guarantee instruments are being used, and whether additional resources are being catalyzed by these flows.

Points to consider

- **Lack of data:** Data on development credit guarantees is limited. There is no international statistical standard or data collection to provide information about the magnitude and scope of their use in developing countries. One factor contributing to this is that guarantees are “unmaterialized” financial flows. As “contingent liabilities,” they are registered in the financial statements of the institutions issuing them, but they do not actually give rise to official financial flows until a default occurs.
- **Un-mobilized capital:** Most of the guarantees (85 percent by value) backed capital that was not mobilized in the countries where it was deployed.
- **Higher-risk areas:** Developmental guarantees are uniquely suited to facilitate investment flows to developing countries and high-risk sectors, mobilizing resources beyond what financial markets would normally provide.

Case Example:

Global: Mobilizing private sector investment in infrastructure

GuarantCo is a special guarantee facility established in 2006 under the aegis of the Partnership for Infrastructure Development, a multi-donor organization working to mobilize private sector investment in infrastructure in the developing world. GuarantCo provides local currency guarantees to infrastructure projects in low-income countries to mitigate credit risks for local banks, thereby promoting domestic infrastructure financing and capital market development. The cumulative value of GuarantCo's financial commitments as of the end of 2012 was \$230 million, which represented 18 projects.

GuarantCo has supported investment in the industrial, telecommunications and transport sectors, each of which accounts for approximately 25 percent of its outstanding portfolio. Half of its guarantee operations have been targeted at crucial infrastructure investments in fragile states. Recent activities include a credit enhancement for a municipal bond issue in Kenya, a guarantee for a public-private partnership hospital in Egypt, and partial guarantees for a river hydropower project in Nepal, a slum redevelopment project in India and a green field agro-energy project in Tanzania.

Source: Guarantee for Development. (2015). <http://www.guarantco.com/>

Further Examples

- Africa: African Development Fund Partial Credit Guarantee (ADF-PCG) <http://www.afdb.org/en/projects-and-operations/financial-products/african-development-bank/guarantees/>

- Global: USAID Development Credit Authority
<http://www.usaid.gov/what-we-do/economic-growth-and-trade/development-credit-authority-putting-local-wealth-work>

Additional Resources

- Mirabile, M.; Benn, J.; & Sangaré, C. (2013). Guarantees for Development. Organization for Economic Cooperation and Development (OECD) Working Paper No. 11. Paris: OECD. Accessed from <http://dx.doi.org/10.1787/5k407lx5b8f8-en>.

Emerging Instruments 5.5: Factoring, Finance leasing, Equity Financing

Description

Additional finance instruments yet to be broadly applied to inclusive business, include factoring of accounts receivables, leasing for equipment and vehicles, and equity financing. Leasing, for example, is an increasingly important complementary source of investment finance, particularly in countries where the information infrastructure is weak. A potential advantage of leasing lies in the fact that it focuses on the ability to generate cash flows from operations to make the leasing payments, rather than on credit history or ability to pledge collateral. Factoring, a complementing instrument, has the advantage that its underwriting is based on the buyer's risk, rather than the risk of the seller.

Providing Information and Raising Awareness

6. Compile and share BOP market data

Instrument 6.1: BOP market data

Description

Companies often lack the market information required to enter poor communities. Little market research is available describing what people in these communities earn, spend and consume, and sometimes even the number of people living in an area is unknown. Governments can compile and share BOP market data, including data from household surveys or social security programs so that companies can identify and better understand BOP markets. Such information can also enable governments to develop a better understanding of the BOP market.

Points to consider

- **Data Format:** Data and research needs to be shared with the private sector in a way that is practical and easily accessible. Ideally, up-to-date data should be published in searchable databases for download to avoid extra effort of companies to re-enter data. Government should actively seek feedback from the private sector on which formats and which data are useful.
- **Comparability:** International standards and guidelines for research are useful as a benchmark, especially for data collection. Using international protocols makes data comparable and thus increases its value to those using it for analysis or insight development.

- **Institutional Factors:** Institutional infrastructure is often weak in developing countries, making it very difficult to locate and/or gather data. Funding is also often limited and data collectors are not properly trained.
- **Privacy:** Individual privacy of survey respondents should be accounted for when making data available publically.

Case Example:

Global: Developing a database of global consumption

The Global Consumption Database was launched in 2014 as a comprehensive database on consumer spending patterns in developing countries – a tool to help private sector companies identify business opportunities that can benefit low-income people in developing countries. It is based on government household surveys of more than one million households in more than 90 countries. It can help companies discover untapped demand and design market research to evaluate business opportunities.

The database indicates how up to 4.5 billion low-income consumers spend their money and data is free for download. It indicates that BOP consumers spend \$2.3 trillion on food; \$508 billion on housing; \$405 billion on clothing, footwear and personal care; \$317 billion on energy; \$298 billion on transport; \$243 billion on health; and \$193 billion on education.

Consumption data is available by country, rural, or urban location, spending levels (lowest, low, middle, and higher), and industry sector. For larger countries (Brazil, India, and South Africa), the dataset provides information by state or province.

Source: Global Consumption Database. (2015). Accessed from

<http://datatopics.worldbank.org/consumption>

http://www.ifc.org/wps/wcm/connect/AS_EXT_Content/What+We+Do/Inclusive+Business/Market+Insights_Consumption+Data/GlobalConsumptionDatabase/

Further Examples

- Ethiopia: PepsiCo: Partnering with international development organizations to scale up chickpea production and fight malnutrition in Ethiopia
www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20sector/AFIMcases/unDP%20GIM%20case%20study%20Pepsico%20Final.pdf
- Global: UNDP Growing Inclusive Markets Initiative's Market Heat Maps illustrate the economic activity of the poor.
<http://www.growinginclusivemarkets.org/about/what-we-offer/>

Additional Resources

- United Nations Statistics Division. (2005). *Studies in Methods: Household Sample Surveys in Developing and Transition Countries*. New York: UN. Accessed from https://unstats.un.org/unsd/hhsurveys/pdf/Household_surveys.pdf

7. Providing Information to the BOP

Instrument 7.1: Awareness raising of the BOP

Description

While some products are widely available in BOP markets, other basic goods are largely unknown. As a result, BOP consumers can be unaware of their benefits. For example, BOP customers may be unaware of the connection between unsafe drinking water and various diseases. Consequently, inclusive businesses not only have to market their goods, they also have to conduct extensive education campaigns. This can often be prohibitively costly. Governments can help to raise awareness among the BOP, as they are often viewed as being more credible.

Government involvement in awareness raising for services has most widely been in health care, education, and energy. In health care, this includes maternal health, sanitation, and hygiene. For example, educating pregnant women on the need to learn about prenatal care and basic preventive health care. Such education campaigns can strengthen the market for health care products. In the education sector, governments can inform the BOP about the potential benefits of education and the available options. This facilitates the acceptance of innovative education services among communities. In energy, governments can raise awareness among the BOP that energy is a purchased product. This understanding is critical to enable grid-connection service delivery, be it private or public.

Points to consider

- **Combination of Efforts:** Studies have shown that a high level of understanding is not sufficient to trigger sales. Hence, governmental awareness raising campaigns can help to inform the BOP of the benefits of goods or services, but companies have to come up with in-depth marketing campaigns at the local level to build trust and convince BOP customers of their products.³⁰

Case Example:

India: Awareness-raising about national health insurance schemes

Rashtriya Swasthya Bima Yojana (RSBY), the Hindi national health insurance scheme, is one of the largest health insurance schemes in the world. Established by the prime minister of India in 2008, it aims to provide access to healthcare to all 300 million poor people living below the poverty line in India. Most of the beneficiaries are workers in the informal sector and their families. By covering health costs up to INR 30,000 (around EUR 355) per year for diseases that require hospitalizations, it provides poor people a critical means of protection from financial overburdens related to unexpected health events.

The government invests in awareness raising about the benefits of the national health insurance scheme to provide access to healthcare services to people living below poverty line. The government has informally involved civil society and community associations in the development of RSBY. These organizations communicated the needs of specific, often unorganized groups, and play a critical role in helping to spread awareness of the program's benefits.

³⁰ Hystra Consulting. (2013, March). Marketing Innovative Devices for the BOP: Lessons learned from 15 global pioneers that challenge conventional sales & marketing approaches. Accessed from https://static1.squarespace.com/static/51bef39fe4b010d205f84a92/t/51f23777e4b00401306df07c/1374828407988/Shell_Foundation_March_7_2013.pdf

RSBY combines modern technology that helps spread the scheme across India with a market-based approach involving both public and private players. The results from the program's first five years of operation – enrollment rates of around 55 percent and 5.6 million supported hospitalization cases – demonstrate the model's success. Utilization rates of RSBY increased when membership cards were issued immediately upon enrollment and when clients were informed about how to make the insurance claim.

Source: Peters, A. (2013, December 16). "Bringing 'Smart Insurance' to India's Poor – A Smart Policy to Promote Inclusive Business? The National Health Insurance Scheme RSBY." Endeava Blog. Accessed from <http://www.endeva.org/blog/smart-insurance-india>

Further Examples

- Brazil: Natura's Ekos: Perfume Essences Produce Sustainable Development in Brazil <http://cases.growinginclusivemarkets.org/documents/40>
- South Africa: Thusong Service Centres are one-stop, integrated community development centers with services relevant to meet people's needs www.thusong.gov.za/about/history/index.html

Additional Resources

- Dansk Industries. (2007). *Working with the Bottom of the Pyramid*. Copenhagen: Confederation of Danish Industries. Accessed from <http://di.dk/sitecollectionDocuments/shop/workingwiththe.pdf>
- Hystra Consulting (2013): *Marketing Innovative Devices for the BOP: Lessons learned from 15 global pioneers that challenged conventional sales & marketing approaches*. Accessed from [https://static1.squarespace.com/static/51bef39fe4b010d205f84a92/t/51f23777e4b00401306df07c/1374828407988/Shell Foundation March 7 2013.pdf](https://static1.squarespace.com/static/51bef39fe4b010d205f84a92/t/51f23777e4b00401306df07c/1374828407988/Shell+Foundation+March+7+2013.pdf)

8. Raise awareness on inclusive business

Instrument 8.1: Award programs

Description

A number of challenges and prizes have been launched as a way to showcase, identify, and promote innovative inclusive business models, which have potential for replication and expansion. Through these competitions, they stimulate innovation, showcase best practice cases for replication, generate support for acceleration or expansion, and build awareness around best case examples of inclusive businesses with high potential for further support.

Case writing competitions such as those organised annually by the European Foundation for Management Development and sponsored by the United Nations Development Programme Growing Inclusive Markets initiative serve to identify and share successful business models.

Case Example:

Global: Rewarding inclusive business innovation

The G20 Challenge on Inclusive Business Innovation was launched in 2011 with the goal of accelerating the growth of commercially viable inclusive business models that expand opportunity and access to essential goods and services for people living at the BOP in developing countries.

The Challenge accepted applications from inclusive businesses of any size, from anywhere in the world. It recognized businesses with innovative, scalable, and commercially viable ways of working with the BOP.

An independent judging panel including representatives from the G20, the private sector, academia, foundations, and international organizations selected 15 winners based on the following criteria:

- **Innovation:** How does the business reach the BOP?
- **Development results:** How many people living at the BOP does the business reach and how strongly does the business impact the people it reaches?
- **Potential for replication:** What is the potential for replication of the business model in other markets?
- **Financial sustainability:** Is the business commercially viable?
- **Environmental and social sustainability:** Is the business socially and environmentally sustainable?

Winners attended a high-profile event at the G20 Leaders Summit on the sidelines of the G20 Summit in Los Cabos, Mexico to honor Challenge winners and engage with other stakeholders in the inclusive business community. Winners were then invited to a series of G20 workshops where they had the opportunity to strengthen their inclusive business relationships in a business-to-business forum.

Source: G20 Challenge on Inclusive Business Innovation. (2015). Homepage. Accessed from <http://www.g20challenge.com/about-the-challenge/>

Further Examples

- World Bank Development Marketplace India 2011: Supporting Inclusive Business Models to Scale.
<http://wbi.worldbank.org/wbdm/competition/2011-country-dm-india-supporting-inclusive-business-models-scale>
- Australian Business Congress: Inclusive Innovators 2013
<http://b4md.com.au/blog/inclusive-innovators-2013/>
- Ministry of Business, Enterprise and Cooperatives, Mauritius: National Inclusive Business Award 2014
<http://mbgs.govmu.org/English/Pages/National-Inclusive-Business-Award.aspx>

Instrument 8.2: Research on inclusive business approach

Description

Research on localized models for inclusive business can provide concrete guidance to companies looking to develop or expand an inclusive business model or activity. Much of the research to-date has been sponsored by donors.

Case studies can be used to provide companies with examples of successful inclusive business models in a variety of sectors and locations. Similarly, sector-specific practitioner guides provide guidance and lessons learned to companies on how to develop and implement inclusive business models.

Governments may also sponsor research through universities or specialized research institutes. Such research can delve into specific topics and issues that are relevant in the local context. For example, agronomic research institutes can develop new seed varieties or farming practices to increase the competitiveness of smallholder farmers, identify potential locations for certain agricultural products, or develop new technologies to address the BOP's specific needs.

Case Example

Growing Inclusive Markets Initiative, UNDP

The Growing Inclusive Markets (GIM) Initiative seeks to demonstrate how business can significantly contribute to human development by adopting an inclusive business model. GIM highlights successful efforts to simultaneously pursue revenues and social impact by private actors, from social entrepreneurs to local small and medium-sized enterprises, large domestic companies to multinational corporations, and even state-owned companies and civil society organizations.

GIM, with support from local researchers, has developed a wealth of knowledge and research tools on inclusive business, including a repository of 120 case studies from over 40 countries and a database of over 1,000 inclusive business models from all regions and sectors. GIM has also published several reports for private and public sector audiences.

Source: Growing Inclusive Markets. Home. Accessed from www.growinginclusivemarkets.org/

Further Examples:

- Agribusiness, pharmaceuticals, energy, ICT sector research. BMZ and GIZ.
www.giz.de/Wirtschaft/de/html/1745.html
- Endeava, MicroEnergy, GTZ: Energize the BOP.
http://www.energize-the-bop.net/fileadmin/energize-the-bop/Endeava_Energize_the_BoP_Energy_Business_Model_Generator_2011.pdf
- IFC, 2014: Shared Prosperity through Inclusive Business: How Successful Companies Reach the Base of the Pyramid.
http://www.ifc.org/wps/wcm/connect/bf203d80463da1548c90bd9916182e35/SharedProsperitythruBiz_FINAL.pdf?MOD=AJPERES
- Philip E. Wilson (2011). Ecofiltro: Clean Drinking Water for All.
- UNDP (2013). Realizing Africa's Wealth.
<http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/UNDP%20AFIM%20Realizing%20Africas%20Wealth.pdf>
- WBCSD Access to Energy Initiative: Business solutions to enable energy access
<http://www.wbcsd.org/pages/edocument/edocumentdetails.aspx?id=14165&nosearchcontextkey=true>

Instrument 8.3: Peer learning forums

Description

High-level conferences and forums can bring together decision makers from private industry, the public sector, and the donor community. Practitioners – particularly those from local businesses in developing countries – have few opportunities to step outside their day jobs to exchange insights and experiences with one another. They value direct, peer-to-peer learning about what is and isn't working in the field of inclusive business.

Case Example:

Colombia: Creating a network for learning around inclusive business

The National Inclusive Business Council (CONNIC) in Colombia has the participation of the academy, business, consultants and public sector. It aims to act as a space for strengthening and structuring networks for inclusive business. It created and developed the National Strategy on Inclusive Business around eight objectives that address a variety of elements related to the promotion, identification, and monitoring of inclusive business cases.

Among these objectives is the creation of a platform of projects that meet inclusive business criteria. The platform website gathers and disseminates information on strategy, resources, and news related to the sector. Also included is the goal of establishing alliances with actors from a variety of sectors (public, private, and academia) in order to continue promoting inclusive business and to build closer relationships with sources of investment resources. So far, agreements have been established with organizations from the academia, the public sector and universities.

Another critical area of coordination includes public policy and regulatory frameworks in which networks can coordinate and pursue policies that support and promote inclusive business adoption.

Source:

Melo, J. (2015, July 8). "Inclusive Business Strategy from private sector in Colombia: a private effort." The Practitioner Hub for Inclusive Business blog. Accessed from <http://www.inclusivebusinesshub.org/profiles/blogs/inclusive-business-strategy-from-private-sector-in-colombia-a>

Further Examples:

- Global: IFC's Inclusive Business Leaders Forum brings together the private sector, donors, and investment professionals on a frequent basis to share insights and build networks to help expand opportunity at the BOP.
http://www.ifc.org/wps/wcm/connect/as_ext_content/what+we+do/inclusive+business/events/2013+inclusive+business+leaders+forum
- Global: The Practitioner Hub for Inclusive Business is an online forum where practitioners can connect and access information and insights on inclusive business.
<http://businessinnovationfacility.org/>

Strengthening the Capacity of the BOP and of Inclusive Businesses

9. Align vocational training for the BOP with private sector needs

Instrument 9.1: Training programs

Description

Vocational skills are key to enabling the BOP to participate in value chains. Low productivity linked to the lack of marketable skills acts as a significant barrier towards inclusive business growth. In this context, vocational training is an important precursor to BOP participation and to inclusive growth.

Partnerships with different stakeholders, in particular with the private sector, can assist in skills-needs identification, curriculum development, training delivery, as well as certification and assessment processes to ensure that vocational training is aligned with market demand and subsequently leads to employment. The private sector can also be involved by providing internships, apprenticeships, and job opportunities as well as coaching and mentoring support.

Case Example:

India: Support skills building among low-income communities

With 356 million 10-24 year-olds, India has the world's largest youth population in the world. According to recent reports, only about 34 percent of youths that graduate from school have skills that make them readily employable.³¹

The National Skills Development Corporation (NSDC) is a non-for-profit organization set up by India's Ministry of Finance whose mission is to promote skills building amongst youth entering the workforce and narrow the existing gap between the demand and supply of skills.

NSDC works in coordination with the private sector to promote skills building through training and capacity building. It also engages in advocacy and training programs, in-depth research to discover skill gaps in the Indian workforce, and developing accreditation norms. NSDC acts as a catalyst by providing funding to enterprises, companies and organizations that provide skill training. It also develops appropriate models to enhance, support, and coordinate private sector initiatives.

NSDC is responsible for ensuring that the private sector delivers vocational training to 150 million people, as part of the national goal set by the Government of India.

Source: NSDC. (2015). Homepage. Accessed from <http://www.nsdcindia.org>

Further Examples

- Brazil: SEBRAE provides micro and small business support
http://www.sebrae.com.br/sites/PortalSebrae/canais_adicionais/sebrae_english
- India: IL&FS Skills provides vocational skills building and placement support
<http://www.ilfsskills.com/>

³¹ The Economic Times (2014). Access from http://articles.economictimes.indiatimes.com/2014-11-18/news/56221890_1_demographic-dividend-youth-population-osotimehin

- South Korea: Meister high schools provide skills development for high-skilled manufacturing jobs and other employment opportunities
http://mckinseysociety.com/e2e_casestudy/meister-high-schools-south-korea/

Additional Resources

- Dunbar, M. *Engaging the Private Sector in Skills Development*. Department for International Development (DFID) Guidance Note. London: DFID

10. Implement projects in partnership with the private sector

Instrument 10.1: Development partnerships

Description

Development partnerships are agreements between public and private sector entities to pursue a shared set of development goals. Ideally, such partnerships combine public sector outreach and resources with private sector entrepreneurialism and skills. Development partnerships, in contrast to the more traditional Public Private Partnership (PPP), are entirely voluntary, although the government can make such projects more attractive to private sector partners by offering incentives such as favorable tax terms, co-financing, infrastructure access, and policy changes.

For governments, collaborating with the private sector brings many benefits, including access, resources, technology, and data and expertise. For private partners, such agreements can increase business opportunities or market share, increase reputation and provide a “social license to operate,” and/or greater access to suppliers.

Development partnerships can be implemented on different levels and with a wide variety of partners, from small, local companies to large multinational firms. The role of each stakeholder within development partnerships is not pre-determined; governments, private companies, and other actors can take on many roles.

At the onset of a partnership it is important to align on goals and definitions of success, as well as monitoring and reporting requirements. Challenges can occur in the implementation phase of development partnerships as public and private sector partner often do not have the same understanding of an issue, have different procurement or operational rules, or operate under different timelines.

Case Example:

China: Improving education through partnerships

In China 70 percent of the population lives in rural areas with limited access to educational resources. Ericsson, a global communication technology and services company, has partnered with China’s Ministry of Education to provide students in rural communities with enhanced educational resources.

As a member of the Broadband Commission for Digital Development, Ericsson is committed to promoting the use of mobile networks to help accelerate the achievement of universal education around the globe. By partnering with the Ministry of Education and a major ICT service provider, Ericsson has helped to build a complete ecosystem to manage the development and distribution of interactive learning content via low-cost basic mobile phones. The current

program is aimed at two distinct target audiences within the vast rural population and secondary school students and farmers.

Source: Groupe Speciale Mobile Association (GSMA). (2010). *mLearning: A Platform for Educational Opportunities at the Base of the Pyramid*. London: GSMA.

Further Examples

- Bolivia: Agua para Todos partnership between local communities and commercial enterprises that design and construct water distribution systems.
www.seedinit.org/en/bestpractices-and-policy/casestudies.html
- Kenya: Financial Sector Deepening partnership aims to expand access to finance among lower-income households and smaller enterprises.
www.fsdkenya.org/
- Tanzania: Southern Agricultural Growth Corridor is an inclusive, multi-stakeholder partnership to rapidly grow the region's agricultural development.
www.sagcot.com
- Zambia: National Malaria Control Centre (part of the National Malaria Strategic Plan) National Malaria Control Centre and a broad range of private and institutional actors.
www.nmcc.org.zm/index.htm

Additional Resources

- InterAmerican Development Bank (IADB). (2011, December 11). Ecuador expands access to microcredit. Press Release: IADB. Accessed from
<http://www.iadb.org/en/news/news-releases/2011-12-07/ecuador-expands-access-to-microcredit,9746.html>
- Runde, D.F. & Zargarian, A. (2013). *The Future of Public-Private Partnerships: Strengthening a Powerful Instrument for Global Development*. Center for Strategic and International Studies (CSIS) Report. Washington, DC: CSIS.

11. Support business services for inclusive businesses

Instrument 11.1: Align business support services

Description

Business development services (BDS) are a “wide array of non-financial services critical to the entry, survival, productivity, competitiveness, and growth” of BOP businesses.³² BDS interventions can be an effective instrument for policy makers to support private sector growth in BOP markets. For inclusive businesses, BDS can be delivered in the form of operational and strategic business consultancies, skills transfer, marketing assistance, cost management, and technology development. Although BDS do not include direct financial support, they can be used to facilitate access to credit and other financial services, such as banking and financial planning.

BDS providers, such as government agencies, NGOs, private firms, or industry associations should perform comprehensive assessments of the local BOP market and develop their services

³² Committee of Donor Agencies for Small Enterprise Development. 2001. *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention*. Washington, DC: World Bank Group.

in collaboration with their clients according to their specific needs. In order to be effective and sustainable, services should be provided in a business-like manner at affordable prices and should build upon the existing local models. Successful BDS providers will empower inclusive business entrepreneurs and drive private sector growth in BOP markets. They can provide knowledge, networks, and support to pilot inclusive business models.

Case Example:

Egypt: Providing access to financial services

GiroNil was established in January 2005 in Cairo, Egypt, as a joint venture, a public-private partnership of local and international banks and financial institutions, such as ING. The company piloted closely with local banks and large institutions to develop and implement a shared cashless (giro) payment system. In April 2010, GiroNil was selected by the Central Bank of Egypt, to co-develop the national Automated Clearing House for Egypt (ACH) with the Egyptian Banks Company (EBC) to modernize the banking sector and offer banking services to all Egyptians.

Egypt is fundamentally a cash-based economy, where cash is used in 97 percent of all transactions in the Egyptian market. About 90 percent of Egyptian citizens are unbanked and manage their finances outside formal banking institutions. Until recently, banking systems in Egypt were only accessible to wealthy individuals, tourists and a small base of workers. GiroNil and its partners offer easy, convenient access to basic financial services to all members of society throughout Egypt.

Under the ACH program, GiroNil and the EBC implement innovative and sustainable financial tools and solutions that are suitable for previously unbanked customers. By using post office outlets as financial transaction centers, a familiar outlet is now a gateway to important financial services.

Through an electronic payment system and socialization of electronic cards, GiroNil is helping to bring millions in Egypt into the formal banking system. Further, GiroNil and its partners have developed micro financing programs to offer credit to low-income individuals and “micro payments” to enable low-income individuals to make payments with fewer transaction costs.

As of 2010, half a million pensions and salary payments were being processed through the GiroNil system and the CBE’s strategy to increase this level is through the use of electronic cards. Payment to government employees through six million debit cards, pension payments through four to six million specific cards and promoting pre-paid cards designed to pay for government services.

Source: Nader, P. (2010). *GiroNil: Building a Payments Highway in Egypt*. A Growing Inclusive Markets Case Study. Accessed from http://growinginclusivemarkets.org/media/cases/Egypt_Gironil_2010.pdf

Further Examples

- Carana Corporation
<http://www.carana.com/>
- Imani Development
<http://imanidevelopment.com/>
- Inclusive Business Accelerator

<http://iba.ventures>

- Inclusive Business Hubs
<http://www.inclusivebusinesshub.org>

Additional Resources

- Committee of Donor Agencies for Small Enterprise Development. 2001. *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention*. Washington, DC: World Bank Group.
- International Finance Corporation (IFC). The Role of Business Development Services (BDS). Accessed from <http://www.ifc.org/wps/wcm/connect/f75ca3004885532cade4ff6a6515bb18/IFCGEM%2BBrochure%2Bsec%2B5-6.pdf?MOD=AJPERES&CACHEID=f75ca3004885532cade4ff6a6515bb18>

Annex IV: The Role of Multilateral Development Banks in Supporting Inclusive Business

Multilateral Development Banks (MDBs) play an important role in supporting inclusive business. MDBs include the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IADB), the International Finance Corporation (IFC) (part of the World Bank Group), and the Islamic Development Bank (IsDB).

This annex looks at those MDBs that have a specific focus on inclusive business, namely AsDB, IADB, and IFC. Together these three have committed over \$15 billion to inclusive business. While other MDBs may be investing in inclusive businesses, they have not yet analyzed their existing portfolio to identify clients that would qualify.

Asian Development Bank

Structure: ADB launched its inclusive business initiative in 2012 as part of its Strategy 2020 Update - the organization's long-term corporate framework that includes inclusive growth as part of its three main strategic pillars. The inclusive business initiative is housed in the Regional and Sustainable Development department, which supports ADB's operational departments that invest in sovereign and private sector clients.

Definition: ADB defines inclusive business as companies which are profitable and create value in such a way that goes beyond economic returns: they generate social impact by deliberately and directly targeting the low-income segment as part of their value proposition – either as a supplier, distributor, or customer. Inclusive businesses create or expand access to goods, services, and livelihood opportunities for the poor and vulnerable in commercially viable, scalable ways. ADB considers this in contrast to traditional social enterprise.

ADB defines the low-income segment as the lowest 60% income group in Asia, which is equivalent to earning \$3 per day or less.

Investment Volume and Instruments: Between 2013 and 2014, ADB invested US\$340 million in inclusive business. This includes investments in private sector companies by ADB's Private Sector Operations, as well as loans to governments by the Regional Operations departments. ADB provides loans, equity, and guarantees to the private sector and provides loans to the public sector. Both sectors also benefit from technical assistance grants.

Inter-American Development Bank

Structure: In 2007, IADB established the 'Opportunities for the Majority' (OMJ) group within the Vice President for Private Sector and Non-Sovereign Guaranteed Operations. OMJ promotes and finances market-based, sustainable business models that engage private sector companies, local governments, and communities in the development and delivery of quality products and services for the low-income segment.

OMJ invests in projects that seek to increase productivity, bring the poor into the formal economy, create jobs, address market failures that raise costs for those least able to afford them, and bring quality goods and services to the BOP. OMJ prioritizes the financial services, housing, education, telecommunications, and nutrition and health sectors. In addition to investments through OMJ, IADB also invests in inclusive businesses through the Multilateral Investment Fund (MIF), the Inter-American Investment Corporation and the Structural and Corporate Finance department (SCF). The IADB also identifies 'shared value' investments that simultaneously increase financial returns and deliver social impact in sectors as diverse as sustainable tourism, manufacturing, agribusiness and renewable energy.

Definition: The IADB defines inclusive business as profitable, core business initiatives that meaningfully integrate the low-income segment into a company's value chain as suppliers, distributors, employees, and/or consumers.

The IADB defines the BOP as the population in Latin America that lives on less than approximately \$10 per day.

Investment Volume and Instruments: Since 2005, the IADB has invested \$3.7 billion in loans, guarantees, and equity investments. The average loan size is between \$5-10 million. The IADB is also able to leverage grant funding on a case-by-case basis to support pre-commercial stage projects. Technical assistance can support market analyses, due diligence, capacity building, and pilot testing of business models.

The IADB targets companies, financial intermediaries of all sizes, and non-profits that are willing to engage with the BOP. Beyond the profitability of the investment, the IADB screens projects to ensure that social inclusion and development impacts are the center of each project.

MIF funding is primarily in the form of grants, but could also be loans, guarantees, equity and quasi-equity, as well as advisory services to business associations, non-governmental organizations, foundations, public sector agencies and financial institutions and, in some cases, private sector firms to support projects that benefit the poor. In addition to grants totaling US\$870 million, the MIF has invested \$478 million in debt and equity since 2005.

International Finance Corporation

Structure: IFC established its inclusive business team in 2010, as recognition of the growing importance of the approach. The team today is part of the Development Impact unit and is responsible for: (i) catalyzing ideas and innovation to grow and expand inclusive businesses worldwide, (ii) convening IFC clients, investment professionals, leading thinkers on inclusive business, and international development stakeholders to promote collaboration, and (iii) communicating which models work, generating and disseminating knowledge on best practices, and highlighting innovation. Investments into inclusive business companies are done by IFC's Global Client Services Vice Presidency.

Definition: IFC defines inclusive business as commercially viable businesses which incorporate people at the BOP into their value chains as part of core operations, as customers, distributors, retailers, or suppliers. These companies provide basic goods and services as well as income opportunities for people at the BOP.

IFC defines the BOP as people living on PPP\$8/day or less or lacking access to basic goods and services, such as food, education, health, utilities, housing, and finance.

Investment Volume and Instruments: IFC's investment departments have invested over US\$12.5 billion into inclusive business companies since 2005, or the equivalent of over US\$1 billion per year. Available instruments include debt, equity, and guarantees, as well as technical assistance in the form of advisory services. The average investment size is approximately USD\$10-15 million. IFC's inclusive business investments are found in the agribusiness, education, finance, health, housing, ICT, retail, and utility sectors.

All of IFC's investments, including those for inclusive business, are reviewed for financial viability and environmental and social sustainability. All investments undergo the same review and approval process.

ANNEX V: Summary Results of the G20 Survey on Inclusive Business Policies

The G20 Survey on Inclusive Business Policies was conducted in May 2015 to gather input from G20 members regarding existing programs that support inclusive business and broader pro-poor policies that involve the private sector. The survey focused both on the countries' domestic policies, as well as inclusive business approaches in their development assistance programs for developing countries.

Respondents: As of July 15, 2015, a total of 11 countries have submitted survey responses: Australia, Brazil, Canada, France, Germany, Italy, Mexico, Republic of Korea, South Africa, Sweden, and the United Kingdom. A wide range of ministries and departments participated in completing the survey. Therefore, the nature of the survey results varies significantly across countries depending on which ministries and departments contributed to the survey responses.

Contributing Ministries and Departments:

- *Domestic Policies*
 - Ministry of Foreign Affairs: Australia, France, Republic of Korea, Sweden
 - Ministry of Foreign Affairs, Trade and Development: Canada
 - Ministry of Employment and Social Development: Canada
 - Ministry of Employment and Labor: Republic of Korea
 - Ministry of Economic Development: Italy
 - Ministry of Foreign Affairs and International Cooperation: Italy
 - Ministry of Social Development: Mexico
 - Departments for Business Innovation and Skills: United Kingdom
 - Ministry of Industry: Canada
 - Department of Small Business Development: South Africa
 - National Institute of the Entrepreneur: Mexico (INADEM)
 - National Institute of Social Economy: Mexico (INAES)
 - Ministry of Agriculture: Mexico
 - Ministry of Aboriginal Affairs and Northern Development: Canada
 - Ministry of External Relations: Brazil
 - Ministry of Public Works and Government Services: Canada
 - Ministry of Social Affairs, Health, and Women's Rights: France
- *International Development Assistance Programs*
 - Germany (BMZ), Mexico (AMEXCID), Republic of Korea (KOICA), United Kingdom (DFID)

Note: The survey results presented below have been slightly edited and consolidated to reduce repetition across sections. The following summary is based only on the submitted survey responses. Additional secondary research will be necessary to gain a more comprehensive and accurate understanding of relevant policies in each country. Please note that the below summary should not be viewed as policy recommendations given that there was not sufficient information to assess the relative effectiveness of each policy approach.

A. GENERAL APPROACH TO INCLUSIVE BUSINESS

Overarching Policy Frameworks and Enabling Policies

Survey Question: *Is there an overarching policy framework that encourages inclusive business, such as a national development plan or national vision that aims at inclusive growth and sustainable development?*

Key Findings: The survey results demonstrate that most countries have some elements of a policy framework that indirectly enables inclusive business at the national level; however, these frameworks have different areas of emphasis.

Country Examples:

- Employment and empowerment of disadvantaged populations (i.e., low-income groups, youth, women, migrants, refugees, disabled populations, aboriginal communities): Canada, France, Italy, Republic of Korea, South Africa
- Inclusive Growth: Mexico
- Responsible business conduct: Canada, Italy, Republic of Korea, United Kingdom
- Preferential procurement: Australia, Canada, France, South Africa, United Kingdom
- Economic development: Canada, Mexico, South Africa
- Poverty alleviation: Brazil
- SME development / entrepreneurship: Brazil, Canada, Mexico, South Africa
- Responsible supply chains / supplier development: France, South Africa

Inclusive Business Definitions

Survey Question: *Does your country define inclusive business, or other socially-oriented business approaches, in any of its existing policies?*

Key Findings: Although the survey results seem to suggest that no country explicitly has a formal definition for inclusive business, various terms are used to describe somewhat relevant concepts. Some countries do define areas related to inclusive business activities or social enterprise initiatives, but no country appears to define areas akin to inclusive business models -- or those businesses that emphasize full commercial viability.³³

Country Examples:

Note: The following is a list of different terms that were used to describe inclusive business related concepts throughout the survey responses. Definitions for such terms are listed where provided by the country.

- Corporate Social Responsibility (CSR): Canada, Italy, Republic of Korea
 - The EU definition of CSR includes responsible business conducts specifically aimed at social inclusion.
- Creating Shared Value (CSV): Republic of Korea

³³ See page ## for further explanation of inclusive business activities, social enterprise initiatives, and inclusive business models.

- Innovative Start-ups with a Social Goal: Italy
 - Start-ups which operate in specific domains that have a considerable social value according to the Italian legislation, such as social work, health care and social care, education and training, environmental protection, promotion of cultural heritage, social tourism, undergraduate and post-graduate education, cultural services, non-academic training, services for social enterprises.
- Integration through Economic Activity (IAE): France
 - Business and Employment Cooperatives: These cooperatives offer project sponsors security in their entrepreneurial approach by pooling resources and providing cooperative support. The cooperatives are intended primarily for anyone who, while creating their own company, aims mainly at creating their own job.
- Productive Inclusion/Work Inclusion: Brazil, Mexico
 - Brazil: Activities aimed at creating jobs for low income families
- Social Business: Brazil – Companies that seek a positive social and environmental impact through core business activities that directly benefit low income populations.
- Social Cooperatives: Italy
 - Type A social cooperatives provide social, health, and educational services.
 - Type B social cooperatives provide job opportunities to disadvantaged populations.
- Social Economy: France, Mexico
- Social Enterprise: Republic of Korea (Australia, Canada, Italy, and United Kingdom also use the term social enterprise, but did not present a formal definition in the survey.)
 - Republic of Korea: An entity certified to pursue a social objective aimed at enhancing the quality of life of community residents by providing vulnerable social groups with social services or job opportunities or by contributing to the communities while conducting its business activities.

Institutional Arrangements

Survey Question: What is your country's institutional arrangement for policies and programs concerning inclusive business?

Key Findings: Survey results indicate that domestic inclusive business policies are led by a wide range of agencies at various levels depending on the country. International development assistance programs related to inclusive business are typically led by the country's international development agency.

Country Examples:

- Domestic Policies
 - Formal structure across federal, state, and municipal governments: Brazil Without Extreme Poverty Plan
 - Cross-Agency Working Group or Task Force: Canada, France, South Africa
 - Canada: Canadian Task Force on Social Finance
 - France: Comité national d'insertion par l'activité économique (CNIAE), SGSCOP
 - Specific Ministry: Republic of Korea
 - Ministry of Employment Labor – Social Enterprise Promotion Agency
 - Private-Sector Led Initiatives: United Kingdom

- No formal arrangement: Australia, Mexico
- International Development Assistance Programs
 - International Development Agencies: Australia (DFAT), Canada (DFATD), Germany (BMZ), Italy (IDC), Republic of Korea (KOICA), Sweden (SIDA), United Kingdom (DFID)

Inclusive Business Stakeholder Engagement

Survey Question: Are there any national efforts to engage with inclusive businesses and interested stakeholders in the policy formulation process concerning inclusive business?

Key Findings: Depending on the institutional arrangement, the survey results demonstrate that each country has a wide range of approaches for engaging relevant stakeholders in the process of making inclusive business policies. Illustrative examples are listed below.

Country Examples:

- Cross-sector committee: Republic of Korea
- Inter-agency network: Canada
- Public-private roundtables or high-level forums: Australia, Mexico, South Africa, Sweden
- Bilateral meetings: United Kingdom
- Sector specific stakeholder engagement: Mexico
 - Mexico's ministry of agriculture engages agricultural producers, retailers, food companies, and consumers to design incentives for large firms to incorporate smallholders as suppliers and improve integration of the value chain.

Inclusive Business Mandates or Requirements

Survey Question: Are there any policies, laws, or regulations that mandate/require inclusive business-related efforts for certain companies?

Key Findings: While the survey results suggest that no country has formal inclusive business mandates, some countries have requirements that can promote inclusive businesses indirectly by affecting the broader business context.

Country Examples:

- Employment requirements
 - Brazil: All medium and large businesses are required to hire adolescents and young adults between 14 and 24 years of age for 5-15% of its workforce.
- Responsible procurement requirements
 - United Kingdom: The Public Services (Social Value) Act 2012 requires public bodies to consider how the services they commission and procure might improve the economic, social and environmental wellbeing.
 - Canada: The Procurement Strategy for Aboriginal Business (PSAB) includes both mandatory and voluntary set-aside approaches that give Aboriginal Businesses exclusive bidding rights for Federal Government procurement opportunities.

Inclusive Business High Potential Sectors

Survey Question: Are there any specific sectors in which the government's policies explicitly contemplate a role for inclusive business?

Key Findings: While most countries indicated that no sectors are excluded from inclusive business policies, the survey results show that some countries have programs that are specifically dedicated to certain sectors based on development priorities and local needs.

Country Examples:

- Agriculture / Agribusiness: Brazil, Mexico, South Africa
- Education (incl. vocational training): Brazil, Canada, Republic of Korea, Mexico, UK
- ICT: Mexico
- Financial services, including banking and microfinance: Mexico, UK
- Healthcare, health products, sanitation: UK
- Housing: Brazil, UK
- Manufacturing: South Africa
- Retail: UK
- Utilities (Water and Energy): Brazil

B. INCLUSIVE BUSINESS POLICIES

Sharing of Information

Survey Question: Are there any public initiatives on sharing of information that facilitate or encourage inclusive business?

Key Findings: The survey results suggest that awards are the most frequently used approach to identify and share inclusive business best practices. Several countries also invest in inclusive business market research and platforms for peer-to-peer learning.

Country Examples:

- Awards to recognize exemplary inclusive businesses: Australia, Canada, Germany, Republic of Korea, United Kingdom
- Data on low-income communities for market research, intelligence and diagnostics: Brazil, Canada, United Kingdom
- Publicly-funded and targeted research aimed at identifying new inclusive business cases, opportunities, and enabling technologies: Australia, Canada, France
- Peer-to-peer learning and public-private dialogue (PPD) for improved information sharing on inclusive business: Mexico, Republic of Korea, Sweden
- Awareness campaigns or improved information access about inclusive business-related services of the government: Canada, Republic of Korea, South Africa
- Sector specific dialogues: Germany, Mexico
- Credit bureau reporting requirements for non-bank financial institutions: Mexico
- Procurement preference survey: South Africa

Laws or Regulations

Survey Question: *Are there specific laws or regulations to encourage and/or enable private sector actors interested in working with low-income communities?*

Key Findings: Existing laws are mainly focused on establishing legal forms of inclusive business-type entities and broader business ecosystem regulations that encourage impact investing, public-private partnerships (PPPs), and increased competition.

Country Examples:

- Business start-up laws/regulations, including rules affecting legal forms of inclusive business-type companies: Italy
- Certification schemes for social enterprises: Republic of Korea
- Public-private partnership (PPP) law for greater legal certainty, transparency, and competition in high social-impact sectors/regions: Mexico, South Africa
- Competition regulations (including privatization programs) to open up sectors with inclusive business potential: Mexico, South Africa
- Simplified rules to encourage formalization of businesses in the informal sector: Mexico
- Simplified tax system to lower tax burden for mini or small businesses: Brazil
- Laws that reduce barriers to allow foundations to invest capital in mission aligned investments: Canada

Financial Resources

Survey Question: *Does the government provide financing to inclusive businesses?*

Key Findings: Several countries have financing mechanisms, such as improved access to credit, tax incentives, and matching grants, in place to support inclusive business-type entities.

Country Examples:

- Financing and insurance services (including improved access to credit, factoring, leasing, equity financing): Brazil, Canada, France, Germany, Italy, Mexico, Republic of Korea, South Africa
- Tax incentives (e.g., tax breaks): Italy, Republic of Korea
- Subsidies and other non-tax incentives: Mexico, Republic of Korea
- Grants / matching grants: France, Germany, Italy, Mexico, Republic of Korea, South Africa
- Public procurement rules that give preferential treatment to businesses operated by disadvantaged groups: Canada, France, South Africa, United Kingdom

Capacity

Survey Question: *Are there any programs to enhance the capacity of inclusive businesses and low-income people in order to facilitate inclusive business?*

Key Findings: Some countries have well-established programs to provide capacity building and technical assistance to inclusive business-type entities.

Country Examples:

- Development partnerships / public-private partnerships with a focus on inclusion: Australia, Brazil, Canada, Republic of Korea
- Consulting / technical assistance: Germany, Mexico, Republic of Korea
- Skills development / vocational training: Brazil, Canada, France, Germany, Mexico, Republic of Korea

C. INCLUSIVE BUSINESS IN INTERNATIONAL DEVELOPMENT ASSISTANCE PROGRAMS

Survey Question: If your country has an official development assistance program focused on developing countries, please describe any initiatives to support inclusive business as part of those programs.

Key Findings: 7 out of the 11 countries report to currently have development assistance programs to support inclusive businesses and establish favorable inclusive business ecosystems in developing countries.

Country Examples:

- Global or regional initiatives:
 - Knowledge exchange platforms: Australia, Germany (Inclusive Business Action Network, G20 Challenge Workshops), Sweden (Practitioner's Hub on Inclusive Business), UK (Business Call to Action)
 - Sector Dialogues: Germany
 - Regional Collaboration Platforms: Germany (Responsible and Inclusive Business Hubs in Middle East and North Africa, South African Development Community, Southeast Asia)
 - Challenge Funds: Canada, Sweden, UK (Africa Enterprise Challenge Fund)
 - Impact Investing / Co-Financing: Canada (Private Equity Fund), Germany (develoPPP)
- Country specific initiatives:
 - Inclusive business/social enterprise development: Australia (Pacific Region), Canada, Germany (Asia), Italy, Republic of Korea
 - Market development: Australia (Fiji, Timor-Leste, Pakistan, Indonesia), Canada (Indonesia), UK (Bangladesh, Nigeria)
 - Enabling business environment: Australia (Burma, Philippines, Vietnam), Canada, Germany (Morocco, Colombia, Indonesia)
 - SME development: Canada (Ukraine), Germany
 - Value chain development: Australia (Cambodia), Canada (East and West Africa), Germany (Brazil, Chile, Uruguay, Peru)
 - Public-private partnerships: Australia (Philippines), Germany (Southeast Europe), Republic of Korea, Sweden
 - Impact Investing: Germany (Bangladesh, Pakistan, Sri Lanka, Indonesia)

- Sector specific initiatives:
 - Agriculture / Agribusiness: Australia (Cambodia, Indonesia, Southeast Asia), Canada (Indonesia, Ukraine, East and West Africa), Germany (Bangladesh), UK (Bangladesh)
 - Healthcare, health products, sanitation: Canada
 - Housing: Germany
 - Financial services, including banking, microfinance: Germany (Asia), Italy
 - ICT: Italy, Germany (Uganda), Republic of Korea
 - Infrastructure: Australia (Philippines), Germany (Southeast Europe)
 - Meat and Leather: UK (Nigeria)
 - Steel: Germany (Brazil, Chile, Uruguay, Peru)
 - Utilities (Water and Energy): Germany (Uganda)

D. EVALUATION AND FUTURE DIRECTIONS

Monitoring and Evaluation

Survey Question: Does the government monitor and evaluate the effectiveness of any of the policies and programs mentioned in this table?

Key Findings: Given the nascent nature of domestic inclusive business policies and programs, the survey results suggest that there are limited systematic evaluation practices for domestic policies; however, international development aid programs are usually evaluated on a regular basis.

Country Examples:

- Brazil: The federal government monitors various databases to ensure participation of low-income populations in professional training programs, productive credit and entrepreneurship programs.
- Canada: The Procurement Strategy for Aboriginal Businesses (PSAB) is reviewed every five years and audits of Aboriginal suppliers are conducted on a pre-award / post-award basis to ensure that Aboriginal suppliers bidding on PSAB requirements meet the eligibility criteria.
- Mexico: Internal and/or third-party evaluation plans are established for major programs (i.e., SEDESOL, INADEM, SAGARPA).
- Republic of Korea: Each year, the government requires all certified social enterprises to submit their annual reports and analyzes their business effectiveness.
- South Africa: The Department of Small Business Development is reviewing the supplier development programs to better align with the mandate of the department.

Future Directions

Survey Question: What are your government's future plans concerning inclusive business policies, programs, and institutional arrangements in the areas covered by this survey?

Key Findings: Currently, countries are in various stages of exploring the potential to better engage businesses in national and international development priorities. This is a critical period when several governments are conducting research and designing strategies in areas with significant implications for inclusive business.

Country Examples:

- Australia: Current efforts to (1) prepare a [report](#) on the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region (released 22 June 2015), and (2) develop a Private Sector Engagement Strategy, which will be released later in 2015.
- Canada: (1) Plans to further integrate co-operatives within existing business support services and strategies, improve co-operative access to financing information, and enhance Industry Canada's online resources. (2) Interest in leveraging government spending for social impact procurement.
- Mexico: Plans to expand (1) the productive inclusion component of the PROSPERA program, which funds productive projects implemented by producers in low-income conditions, and (2) SME capacity building support through INADEM.
- Republic of Korea: (1) The Republic of Korea government will conduct the 'Social Enterprise Activities Survey' every 5 years and establish a 'Social Enterprise Promotion Plan' in order to encourage the private sector's engagement in inclusive business. (2) Republic of Korea's international development agency has plans to do research on how to mobilize inclusive business models into its PPP programs and will implement programs to develop inclusive business models based on research findings.

Annex VI: Inclusive Business Links to G20 DWG Work Streams

Inclusive business cuts across a range of sectors: commercially viable inclusive business models have been successfully implemented in sectors as diverse as agriculture, health, education, ICT and retail. Inclusive businesses also engage the BOP across the value chain, as suppliers, distributors, retailers, and producers. Inclusive business is thus broadly applicable, and can complement the efforts of other G20 DWG work streams.

Food Security and Nutrition

Work Stream Focus: The three immediate priorities of the G20's Food Security and Nutrition (FSN) Framework include: increasing responsible investment in food systems; increasing incomes and quality employment in food systems; and increasing productivity sustainably to expand food supply. The FSN Framework also emphasizes reduction of food losses and waste and growth of smallholder productivity, particularly through skills development of youth and women, and references the promotion of inclusive business models.

Linkages: There is considerable potential for joint action between the FSN and Inclusive Business work streams. Inclusive businesses in the agribusiness sector recognize the commercial value in procuring crops from smallholder farmers. Inclusive agribusinesses that source from smallholders often engage farmers in efforts to improve their productivity, such as certification programs or access to finance. These strategies increase farmer incomes, boost agricultural productivity, and allow farmers access to new markets - all of which can improve livelihoods and support a more sustainable food system. While these strategies fulfill a specific company objective (such as ensuring quality of supply), they also allow farmers to build skills, and may increase food availability for local communities.

Infrastructure

Work Stream Focus: The G20's Infrastructure work stream aims to address the infrastructure investment gap in developing countries by increasing the number and quality of infrastructure projects ready for financing. The three priority action areas seek to: develop policy indicators for the enabling environment; maximize the effectiveness of project preparation facilities (PPFs) and ensure multilateral development bank-based PPFs collaborate to support governments to develop prioritized lists of infrastructure projects; and promote a better understanding of risk and return in infrastructure investment in low-income developing countries.

Linkages: Infrastructure investment is a key enabler for inclusive business, as many BOP consumers and producers are located in remote, rural locations or congested, urban slums. Effective infrastructure can allow companies to reach new markets and expand their supply sources. In areas where needed infrastructure and basic services have not yet been extended, inclusive businesses can help to fill the gap. Companies in the ICT, water, and power sectors, for example, increasingly see growth opportunities in extending their reach to underserved, lower-income market segments (ex. Manila Water). Innovative, off-grid solutions can take further bridge the gap in service delivery (ex: Panasonic).

Financial Inclusion and Remittances

Work Stream Focus: The G20's Financial Inclusion and Remittances work stream – primarily managed by the Global Partnership for Financial Inclusion with the support of its implementing partners - aims to promote access to finance for individuals and businesses. Its major focus includes strengthening the financial inclusion of women and youth and supporting SME finance in low-income and developing countries, while also securing consumer protection and enhancing financial literacy. The work stream aims to facilitate remittance flows and reduce remittance costs. New digital technologies are being identified across all activities to accelerate access to and reduce costs of financial services for the poor. Engagement with the private sector is also a priority.

Linkages: Improving access to financial services for the BOP is key. The Global Partnership for Financial Inclusion and the G20 Framework on Inclusive Business will therefore work together. Many companies working with the BOP often focus on micro-level access to finance as the BOP in their value chain face limited financial options to support their role as supplier, retailer, distributor, or customer to the company. Inclusive businesses, both in the finance and ICT sectors, have developed products such as micro-insurance, micro-loans, and mobile-enabled transaction platforms. Synergies can be gained in the process of innovating financial inclusion strategies at both the SME and micro levels. The G20's commitment to financial inclusion will support inclusive businesses, which stand to benefit from expanding access to finance for a range of other actors across their value chain. G20 financial inclusion and inclusive business work streams go hand-in-hand and are reinforcing each other.

Human Resources Development

Work Stream Focus: The G20 Human Resources Development (HRD) work stream aims at linking skills development to employment, productivity and social inclusion by developing international comparable skills indicators and new tools on technology forecasting, simulation-based training for technical, vocational and education training (TVET) systems, and capacity development programs for LIDCs. This work stream targets women and youth, particularly in rural areas, and emphasizes skill development as a key component of the inclusive growth agenda. Work also focuses on public policies that impact employment, labor market, and social protection.

Linkages: Inclusive businesses can contribute significantly to a “skills for employment” agenda. In addition to businesses in the education sector that are focused explicitly on education and training, inclusive businesses often provide training across the value chain to develop skills and educate the market more broadly. These companies see value in having an informed consumer and well-trained supplier, which may be accessing a formal market for the first time. Meanwhile, BOP customers and producers benefit from developing fundamental skills that could increase their economic opportunity and employability beyond that specific transaction. Inclusive businesses will benefit greatly from the HRD's work agenda in this regard. At the same time, the HRD work stream itself will be reinforced through capacity building of the BOP and of companies as part of the inclusive business framework

Domestic Resource Mobilization

Work Stream Focus: The G20 Domestic Resource Mobilization work stream aims at increasing sustainable sources of funding for development in developing countries by enhancing international cooperation on tax matters. The objective is to ensure that low-income and developing countries can participate in, and benefit from, the G20's international tax agenda (BEPS, AEOI) by developing toolkits, sharing information, assessing options on the efficient and effective use of tax incentives for investment, and improving the availability of quality transfer pricing comparability data for developing countries. A specific effort is made on capacity building in tax policy and administration to ensure developing economies can reap the full benefits of international tax reforms and mobilize domestic resources for development.

Linkages: As inclusive businesses deepen investments in low-income communities, they enable inclusive growth, increase productivity and generate new income and livelihoods opportunities across the BOP. In doing so, inclusive businesses help governments to maximize their domestic revenue as companies explore new economic opportunities and as people at the BOP move into the formal economy. Conversely, tax policy is intrinsically part of the conducive ecosystem and long-term agenda for inclusive business that enables private investment. Tax incentives to inclusive businesses and capacity building in tax administration with a specific focus on inclusive businesses can help to increase domestic resource mobilization.