



Inclusive Business Policies

*How Governments can Engage Companies
in Meeting Development Goals*



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Inclusive Business Policies

*How Governments can Engage Companies
in Meeting Development Goals*

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Dear Readers:

For the German Federal Ministry for Economic Cooperation and Development (BMZ), fostering inclusive business models has gained importance in recent years. A variety of instruments and approaches, including the BoP Sector Dialogues, have been developed to support inclusive businesses. Quite recently, we have established Responsible Inclusive Business Hubs in various regions of the world.

Making use of the potential of the private sector is crucial to achieving development objectives, and we consider inclusive business models a key means of generating larger numbers of private-sector efforts, greater innovation and more sustainable solutions to development challenges. We therefore continue to expand our search for and involvement in those approaches facilitating the development, scale-up and replication of inclusive business models.



To date, little research has been conducted on how to create an environment conducive to inclusive business, nor on the active support measures for fostering inclusive business models. This report looks at the role governments can play in leveraging the private sector's power to achieve development objectives by introducing sound inclusive business policies. It builds on the "Policy Note on Inclusive Business Policies" presented in September 2013 at the G20 Leaders' Summit in Saint Petersburg by the G20 Development Working Group. We hope that this report contributes to the international discussion on the various policy instruments governments have to support inclusive business models.

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Inclusive business policies – It's not a contradiction



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In its early days, more than a decade ago, the inclusive business approach was promoted as an alternative solution to the traditional government-driven approaches to development. Particularly in the business-strategy literature that directed companies' attention to the potential wealth at the base of the global economic pyramid, any mention of a government role was curiously absent.

When looking at the reality of successful inclusive business models, however, we noticed that policy often plays an important role. At the very least, government is needed to create a legal basis for these innovative approaches, performing functions such as establishing the regulations that enable mobile money services to operate. Governments have often played an even more pro-active role, by encouraging companies to enter the low-income market through the use of financial incentives or other means, or by empowering low-income communities to engage with companies.

Nevertheless, many governments have not yet systematically explored opportunities to engage companies in meeting development goals. The untapped potential for facilitating mutually beneficial linkages

between the private sector and low-income communities remains vast. The toolbox in this guide that defines and organises the universe of conceivable inclusive business policies, with the aim of supporting policymakers as they think through the range of available options. Moreover, this report seeks to identify precisely what makes policymaking for inclusive business special, by providing insights into success factors and strategies that have already enabled policies to bear fruit in the real world. We hope this can help policymakers create more inclusive markets and achieve more inclusive growth.

This research has been funded by an inclusive business research programme sponsored by the German Ministry of Economic Cooperation and Development (BMZ). We are grateful for the financial assistance as well as the intellectual support and guidance provided by this programme.

This report is only a first step in understanding the universe of inclusive business policies. Much more exploration and experimentation is needed to fully comprehend this universe. We encourage our readers to contact us with any feedback, questions or additional ideas they may have.

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Executive summary

Governments are increasingly interested in supporting inclusive business models as a market-based approach to poverty alleviation and sustainable development. Inclusive business models include the poor on the demand side as clients, and on the supply side as distributors, suppliers of goods and services, or employees at various points in the value chain. In so doing, these business models build bridges between business and the poor for mutual benefit. While private actors are the main drivers behind these business models, evidence shows that government action has often been decisive for the success and growth of these innovative approaches.

The case for inclusive business policies

Governments can leverage inclusive business models to further the achievement of development objectives. In fact, inclusive business approaches can contribute to each of the eight Millennium Development Goals (MDGs). Microcredit, one of the most widely established inclusive business models, reaches more than 200 million poor people worldwide.

However, examples span a wide range of sectors and types of companies. For example: large companies source from smallholder farmers; social enterprises build micro-franchising models for pharmacies and other health care services; cooperatives market artisanal goods; non-profit organisations leverage business approaches to provide education on a sustainable basis. Aside from the direct benefits generated through business activities, inclusive business models also have a systemic impact by contributing to the inclusivity of markets overall, thereby generating inclusive growth.

However, private-sector actors often run up against barriers in establishing these types of business models. The low-income market is fraught with challenges, both for companies and low-income communities. Market information about poor communities is rarely available. Poor people lack information about available choices. Regulation regarding companies' entry into poor communities is often either lacking or overburdening, while poor communities rely mainly on informal markets. Companies find it hard

Figure 1: The inclusive business policy toolbox

APPROACH	TYPE	i INFORMATION	§ RULES	\$ FINANCIAL RESOURCES	# STRUCTURE AND CAPACITY
 ENABLE		<ul style="list-style-type: none"> Data and research Peer learning 	<ul style="list-style-type: none"> Sector regulation Standards Overarching policy frameworks 	<ul style="list-style-type: none"> Access to finance/ market-rate loans 	<ul style="list-style-type: none"> Infrastructure
 ENCOURAGE		<ul style="list-style-type: none"> Awards 	<ul style="list-style-type: none"> Obligatory inclusion Legal forms for businesses with social mission 	<ul style="list-style-type: none"> Financial support Public procurement 	<ul style="list-style-type: none"> Development partnerships
 EMPOWER		<ul style="list-style-type: none"> Awareness-raising 	<ul style="list-style-type: none"> Legal framework for market participation 	<ul style="list-style-type: none"> End-user subsidies Insurance schemes 	<ul style="list-style-type: none"> Microbusiness support Capacity-building

to obtain financing, since inclusive business is perceived as risky and uncertain. Poor people usually conduct most of their economic lives in cash, without access to financial services. Finally, the lack of physical infrastructure and public services such as schools or health care creates challenges for both companies and the poor.

Inclusive business policy toolbox

Inclusive business policies are government decisions that directly support mutually beneficial business relationships between private-sector companies and poor people. Such policies can enable and encourage companies to include poor people in their value chains. They can also empower poor people to engage with companies.

The **inclusive business policy toolbox** provides a framework enabling policymakers to systematically review options for supporting linkages between companies and poor people. A review of existing practices has identified 158 examples of inclusive business policies that comprise 19 kinds of instruments, each of which are listed in figure 1. Of these 19 instruments, the report closely examines the eleven for which the most evidence is available (marked in red).

The toolbox is structured along two dimensions: policy types and approaches. Four different **types** of policy instruments are distinguished: 1) providing and sharing information, 2) setting and enforcing rules, 3) levying and granting financial resources, and 4) employing a government's own structures and capacities. This framework illustrates the types of instruments that can be employed within three basic **approaches** to the support of inclusive business models: enabling, encouraging and empowering.

Enabling companies to enter the low-income market

A range of government policy instruments can facilitate companies' entry into low-income markets by removing constraints in the business environment. This creates the enabling conditions for investment in inclusive business models. Such policies include, as most widely used options, the production of relevant data and research, as well as the establishment of business-friendly regulatory environments which, in turn, can comprise sector-level regulation, standards and overarching policy frameworks.

Encouraging companies to invest in the low-income market

Governments can encourage the utilisation of inclusive business models by increasing companies' expected returns. Prominent instruments here include creating a legal form for business with a social mission, providing financial support, engaging in preferential public procurement and establishing development partnerships.

Empowering poor people to engage with companies

Policies can empower poor people to engage with companies as consumers, producers, distributors and employees. For example, poor people can be empowered by the creation of a legal framework enabling their market participation. Alternately, they can be provided with financial empowerment through end-user subsidies and insurance schemes.



Policymaking in support of inclusive business models

Policymaking intended to support inclusive business models requires a process of consultation, negotiation and collaboration that involves all relevant stakeholders. Four concrete policy examples from Colombia, India, Kenya and Morocco have been examined in depth with the aim of identifying success factors and proven strategies in the creation of inclusive business policies.

One of the key lessons from the four case studies is that policymaking designed to support inclusive business models requires **collaborative governance** throughout the policymaking process, from agenda setting to formulation, implementation as well as evaluation. Inclusive business policies often transcend established boundaries between departments and sectors, and thus require collaboration between many stakeholders. Moreover, policymakers often lack reliable information about low-income markets, industry sectors and the needs of poor people. The expertise of all relevant stakeholders has therefore to be taken into account in order to find appropriate solutions. By engaging in collaborative governance processes, all relevant stakeholders can contribute their specific capabilities to make inclusive business policies successful.

In order to drive collaborative governance for inclusive business, policymakers must take account of four **success factors**: dialogue, political entrepreneurship, alignment and practical evidence. These factors facilitate collaboration throughout the policymaking process and ultimately enhance the impact of inclusive business policies.

However, coordinating multiple actors over time is a challenge in itself. Governments are thus using a variety of **strategies** to coordinate actions. In Colombia, poverty-free zones direct actors towards particular geographies. In India, a new product – health insurance – provides a platform enabling a variety of actors to contribute to social goals. In Morocco, a new participatory planning process on the community level creates a means for diverse actors to engage with one another. And in Kenya, the Financial Sector Deepening Initiative acts as an independent facilitator between a multiplicity of actors. In each of these cases, an overarching vision is guiding the process. High-level

strategies for social development, such as Vision 2030 in Kenya or the Sector for Social Prosperity and Reconciliation in Colombia, seem to be important enablers of collaborative governance processes focused on inclusive business models.

Moving forward

Governments, but also donors, companies and their associations, CSOs, and research institutes can improve the conditions for inclusive business policymaking.

- They can further **dialogue** among relevant stakeholders by creating forums for exchange and focal points within government.
- They can encourage **political entrepreneurship** by enabling policymakers to work outside the political realm during their career, by rewarding innovative solutions and by facilitating peer-to-peer exchanges across countries.
- They can enhance **alignment** of policies by reviewing existing links between development and economic policies and by identifying gaps. They can build institutions that embed inclusive business policies in the existing institutional landscape.
- Finally, these actors can improve the **practical evidence** available for inclusive business policy making by funding and conducting relevant research, monitoring and evaluating results of policies, and documenting and learning from examples in other countries.

Inclusive business policies are a new concept that encompasses many existing policy approaches and puts them into a new light. This toolbox provides many options for furthering direct collaboration between companies and poor people. Policymakers are called upon to share their own experience and help advance effective policies for inclusive business.





Introduction

What emerged as a concept for companies to create new markets at the base of the global income pyramid is increasingly gaining in relevance for developing-country governments as well as for developed and emerging-country governments in their role as donors.

Policy makers are interested in inclusive business

Governments are increasingly aware of the private sector's relevance to the achievement of development objectives. At their summit in Seoul in 2010, G20 members recognised “the critical role of the private sector to create jobs and wealth, and the need for a policy environment that supports sustainable private-sector-led investment and growth.”¹ At the Fourth High-Level Forum on Aid Effectiveness in Busan in 2012, governments, multilateral institutions and private-sector representatives agreed that “the private sector is now widely acknowledged as a key partner in development, including through establishing new enterprises, creating jobs, providing goods and services, generating income and profits, and contributing to public revenues, which are critical to increasing countries' self-reliance and sustainable growth.”²

Increasingly, governments recognise the potential of inclusive business models as a concrete means to channel private-sector investment to poor communities. According to the UNDP, “Inclusive business (...) represents a promising approach to bringing the benefits of economic growth directly to low-income people by including them within value chains.”³

This study provides guidance ...

While governments are interested in facilitating inclusive business models, thus leveraging private investment and innovation in support of development objectives, it remains unclear exactly what they can do. What are the available policy options for supporting inclusive business activities? And how can these policies best be implemented?

This study aims to close this gap. It offers a first definition of inclusive business policies and provides a framework for policymakers to explore various policy options for promoting inclusive business models. It introduces 11 tried-and-tested policy options in detail. Moreover, informed by four in-depth case studies, it describes success factors and strategies associated with developing and implementing inclusive business policies. Drawing on these examples, this study points to the complementary roles different actors can play in making inclusive business policies meet their objectives. Finally, the study provides recommendations for governments, donors, companies, CSOs and research institutions on how to advance emerging inclusive business activities.

... to policymakers, donors and others

The primary target group of this study is policymakers in developing countries, as well as governments in emerging and developed countries that act as donors. Policymakers in developing countries lead the way in devising and implementing inclusive business policies. Bilateral and multilateral donors can support the development and implementation of inclusive business policies through research, financial and technical assistance, dialogue and peer learning.

Companies, too, may be interested in reading this study and learning about the various options by which governments can support inclusive business models. As the primary actors in the field and hence the principal target group for inclusive business policies, they are often closely involved in the development of these policies. CSOs, research institutes and others can learn about the various roles government can play in supporting inclusive business and how they can contribute to it. Overall, the study aims to add another piece in the puzzle of how to make inclusive business eco-

¹ G20 Seoul Summit 2010 (2010). The G20 Seoul Summit Leaders' Declaration

² 4th High-Level Forum on Aid Effectiveness (2011). Expanding and enhancing public and private co-operation for broad-based, inclusive and sustainable growth – A joint Statement for endorsement by representatives from the public and the private sectors at the Fourth High-Level Forum on Aid Effectiveness.

³ UNDP (2013). Realizing Africa's Wealth – Building Inclusive Businesses and Ecosystems for Shared Prosperity. New York: UNDP.

systems work. It is becoming increasingly clear that companies alone often lack the ability to implement inclusive business models at a large scale. However, they are key players in an ecosystem of actors whose unique and complementary capabilities can combine to create conditions that allow inclusive business activities to grow.⁴ For example, companies provide their know-how, innovation and investment capacity; donors provide financing, technical assistance and ability to mediate between actors; and CSOs contribute their local networks, knowledge of the target group as well as technical assistance. For their part, governments create the regulatory and market environments in which inclusive business models can flourish, the incentives for companies to enter these markets, and the support for low-income communities to engage with companies.

Methodology: Tapping different sources

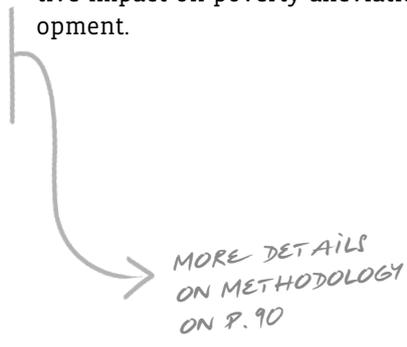
In order to provide a first definition and overview of the new concept of inclusive business policies, this study draws from various sources of information. Experts with practical experience provided critical input and feedback, which informed the development of this report.

- **Literature:** The study builds on existing literature on the role of governments in enabling inclusive business models. Important sources included the International Finance Corporation’s (IFC) Policy Note on the Business Environment for Inclusive Business Models (2012), the UNDP’s Creating Value for All (2008) and the Monitor Group’s Emerging Markets, Emerging Models (2011). In addition, relevant political science literature was reviewed in order to ground the research in current academic thinking.
- **Case examples:** A list of 158 examples of policies that facilitate business relationships between companies and low-income communities was compiled by screening inclusive business case studies and relevant reports, engaging in desk research, and consulting with experts in the field. The list of cases was subsequently used to identify relevant policy instruments, and to distinguish the approaches and types of instruments. Chapters 2–4 are mainly based on insights derived from this analysis.
- **Field studies:** To understand how inclusive business policies are implemented in practice, four field studies were undertaken in Colombia, India, Kenya and Morocco. The success factors and strategies identified in these in-depth studies inform chapter 5.

- **Interviews:** Winners of the G20 Challenge on Inclusive Business Innovation were interviewed to understand whether they had benefited from government support and how they were engaging with government. The global challenge, which resulted in the presentation of awards for innovation to 15 inclusive business models, was organised by the International Finance Corporation (IFC) in the context of the G20 meetings. These interviews inform the G20 Policy Note on Inclusive Business Policies – Recommendations for Governments and Donors (2013)⁵ as well as sections in chapter 5. Interviews focusing on specific policy instruments were also conducted with experts.

More research and dialogue needed

The frameworks presented on the following pages are intended to guide and inform further research and dialogue on inclusive business policies. This new concept certainly merits attention, since policies conducive to these activities can greatly augment companies’ positive impact on poverty alleviation and human development.

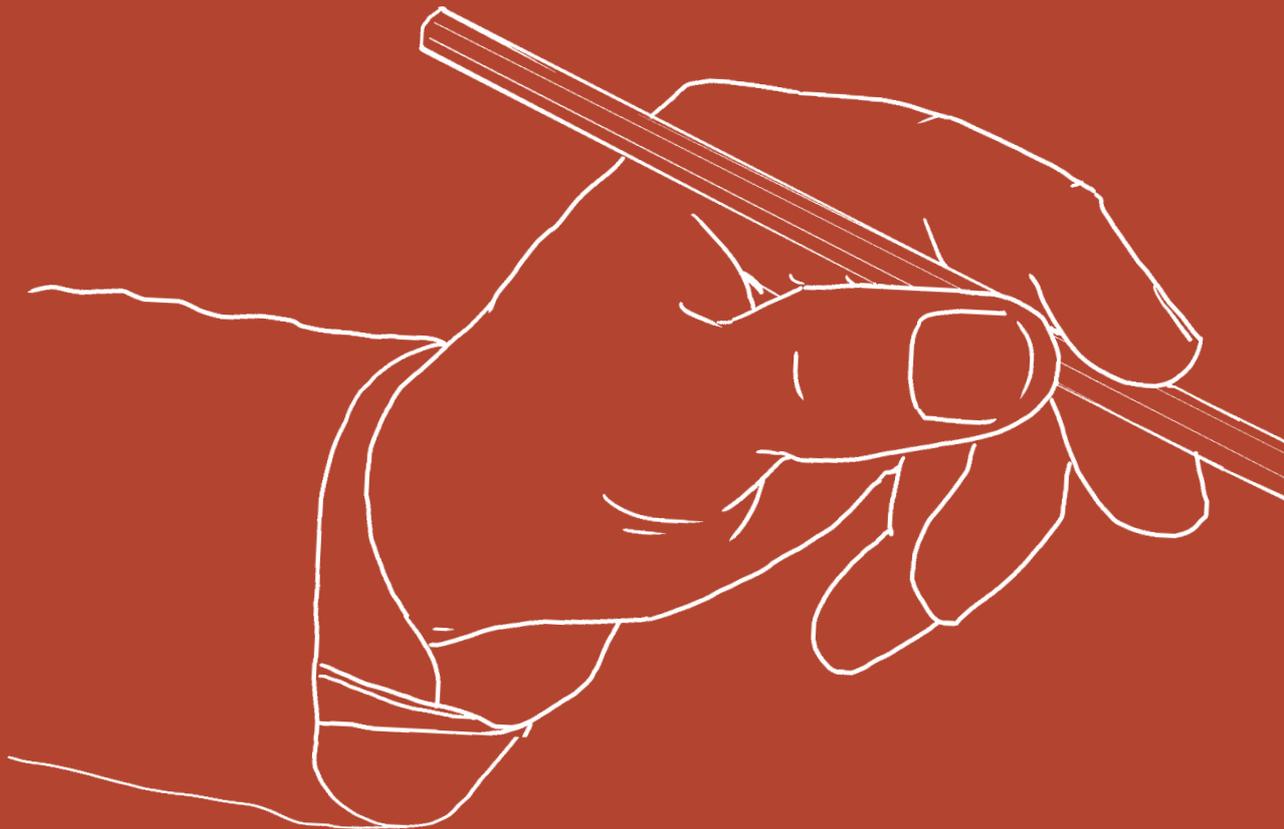


⁴ Christina Gradl and Beth Jenkins define inclusive business ecosystems as “communities or networks of interconnected, interdependent players whose actions determine whether or not a company’s inclusive business model will succeed.” See Beth Jenkins and Christina Gradl (2011). Tackling Barriers to Scale – From Inclusive Business Models to Inclusive Business Ecosystems. Cambridge, MA.: The CSR Initiative at the Harvard Kennedy School.

⁵ G20 (2013). Policy Note on Inclusive Business Policies. Recommendations for Governments and Donors. St.Petersburg: Development Working Group of the G20.

Chapter 1

The inclusive business policy toolbox



Inclusive business policies are those government decisions that directly support **mutually beneficial** business relationships between private-sector companies and poor people. Policies can **enable** and **encourage** companies to include poor people in their value chains. They can also **empower** poor people to engage with companies.

This chapter introduces the idea of inclusive business policies and the **toolbox** of **relevant policy instruments**.



Inclusive business at a glance

Inclusive business models include the poor on the demand side as clients, and on the supply side as employees, producers and business owners at various points in the value chain. These business models build bridges between companies and the poor for mutual benefit.

The benefits from inclusive business models go beyond immediate profits and higher incomes. For businesses, these models can drive innovation, build new markets and strengthen supply chains. For the poor, benefits include higher productivity, sustainable earnings and greater levels of empowerment.⁶

A brief history

The term “inclusive business” was first coined by the World Business Council for Sustainable Development in 2005. In 2001, Stuart Hart and C.K. Prahalad pointed to a potential “fortune at the bottom of the pyramid”.⁷ Their influential article sparked excitement among companies, development organisations and governments alike. Could companies actually be a major force in the struggle against poverty, and make business out of it? Indeed, examples that managed to strike this balance successfully emerged long before the nascent concepts were given a name. Microfinance in its current form emerged in the 1960s in Latin America, and its origins can be traced back to Germany in the 1850s.⁸ Today, microfinance institutions serve more than 200 million people around the world.⁹ Likewise, fair trade emerged in the 1940s, and today creates improved market access and strengthens communities comprising 1.2 million farmers and workers and their families.¹⁰

Global drivers

Market-based approaches to poverty alleviation have gained in relevance over the last decade for a variety of reasons. Globalisation has led to a dense network of global value chains. Global trade has become much cheaper thanks to innovations in transport and information technology. Markets in developed countries have become increasingly saturated, and companies from these markets are looking to the developing world for growth. The 4 billion people living on incomes of at most US\$8 per day in local purchasing power terms represent a total market of US\$5 trillion.¹¹ And this market is growing fast: In 2050, there will be 3 billion more people on the globe than there are today. Almost all of them will live in developing countries, and most will remain in the low-income tier.¹² During this same period, competitive companies have emerged in developing countries, with enough capital and innovation capacity to create new markets at home.

Political powers have been unable to keep pace with economic globalisation, and even after the fall of the Berlin Wall, the belief in solutions driven mainly by the state has dwindled. Donor budgets are under pressure and donors are increasingly seeking partnership with private actors in order to leverage public resources. Inclusive business models stand at the intersection of all these developments, and hence represent an attractive strategy for companies, donors and developing-country governments.

⁶ Definition from: UNDP (2008). *Creating Value for All: Strategies for Doing Business with the Poor*. New York: UNDP. Drawing on 50 in-depth case studies from a variety of sectors in different countries, this publication is a good introduction to the subject of inclusive business.

⁷ C.K. Prahalad and Stuart L. Hart (2002). *The Fortune at the Bottom of the Pyramid. Strategy + business*, pp. 1–14.

⁸ Brigit Helms (2006). *Access for All: Building Inclusive Financial Systems*. Washington, D.C.: World Bank Group.

⁹ Larry R. Reed (2011). *State of the Microcredit Summit Campaign Report 2011*. Washington, D.C.: Microcredit Summit Campaign.

¹⁰ World Fair Trade Organization (2011). *Where did it all begin?* 25 July 2011.

¹¹ IFC and WRI (2008). *The Next 4 Billion. Market Size and Business Strategy at the Base of the Pyramid*. www.indexmundi.com/facts/indicators/NY.GDP.MKTP.PP.CD/rankings

¹² UNFPA (2013). *World Population Report*. New York: UNFPA.

The status quo

Not surprisingly, then, the evolution of inclusive business models has rapidly gained in pace in recent years. Successful examples exist in almost every sector. These include on the demand side consumer products, health care, water and sanitation, education, energy, information and communication technologies, and financial services. On the supply side, successful examples include agribusiness, manufacturing and handicrafts, tourism, and even the outsourcing of business activities in the supply chain.¹³ These examples have been implemented by a range of for-profit and non-profit organisations, including multinational companies from developed and developing countries, large national companies both private and state-owned, small and medium-sized enterprises (SMEs), and finally social businesses and CSOs employing earned-income strategies.

Some inclusive business examples have gained significant scale. M-PESA in Kenya, for example, provides mobile money services to 15 million Kenyans, many of whom had previously conducted their economic lives wholly on a cash basis.¹⁴ But most such activities are still struggling to achieve broad impact. Inclusive business policies can help them reach a larger scale.¹⁵

¹³ The Growing Inclusive Markets (GIM) initiative is building a good database of case studies from a broad range of sectors and countries. The database is available at: www.growinginclusivemarkets.org

¹⁴ www.safaricom.co.ke/mpesa_timeline/timeline.html

¹⁵ Gradl and Jenkins (2011). Tackling Barriers to Scale.

Defining “poor”

Despite the simplicity of this word, it is not always easy to define who is poor and who is not. Poverty has many causes and many forms.

Income is usually used as an indicator for poverty. As an international standard, the World Bank has established thresholds of US\$1.25 per day for extreme poverty and US\$2 for moderate poverty (measured in local purchasing power). Based on these figures, 1.28 billion people were living in extreme poverty and 2.47 billion in moderate poverty in 2005.

Yet the level of income is merely an indication of a lack of opportunity. People in poverty do not have the freedom to choose to live fulfilling lives. This means they often lack simple basic needs such as food, education and career choices, but also opportunities to shape and participate in society. Income certainly allows access to these opportunities, but is also one result of realising one’s potential. This conception of poverty is useful for the inclusive business approach, because it focuses attention on the various opportunities people lack and the potential to create new value by generating these opportunities.

Poverty in the developing world is a highly geographically clustered phenomenon. Poor people tend to live in urban slums and rural villages, referred to here as poor or low-income communities. These environments typically lack functional markets and governance infrastructures, which makes them hard to reach both for companies and policymakers. On the other hand, the geographic clustering enables these players to target interventions to poor communities.

As a market-based approach, inclusive business models can effectively reach people with at least some capital. The extremely impoverished, or people who earn less than US\$1.25 per day, find it difficult to benefit from markets. From a policy point of view, inclusive business models are hence best used as a strategy to create opportunity for the poor, but not the destitute.

Sources: PovCal database of the World Bank; Amartya Sen (2001). Development as Freedom. Oxford: OUP; UNDP (2008). Creating Value for All.

Inclusive business model guides for key sectors

Inclusive business solutions vary greatly by sector. To help shed light on this diversity, the German Federal Ministry of Economic Cooperation and Development (BMZ) has published a series of practitioner guides that examine the opportunities and challenges of entering and working in low-income markets in various sectors. Based on concise market information and insights from case studies, these guides provide inspiration and useful reference points to company representatives developing and enhancing their own inclusive business models. So far, practitioner guides have featured the energy, pharmaceutical, and agriculture sectors. A guide on information and communication technology (ICT) is forthcoming.

Source: ww.giz.de/Wirtschaft/de/html/1745.html



Achieving development goals

By including poor people within companies' broader value chains, inclusive business models can contribute directly to the achievement of development objectives.

Scalable and sustainable

Indeed, inclusive business models can contribute to each of the eight MDGs, as the box on the opposite page shows. Market-based approaches can serve poor people's basic needs, enhance productivity, create opportunities to generate income, and open up real life choices.¹⁶ Indeed, poor people cite the lack of meaningful choices and the sense that their voices are disregarded as important aspects of poverty.¹⁷ As customers, employees and suppliers, they become business partners.

Inclusive business models are sustainable and scalable. Since business is self-financed through revenues, it can in principle go on indefinitely. This marks a sharp distinction from development approaches that are dependent on public funding. Moreover, profits enable a business to reinvest and grow over time. Businesses can thus have a major impact not just in one locality but across a whole country, and can even be replicated or copied by others elsewhere.

Systemic impact

Inclusive business models can also have systemic impact beyond their own specific value chains. In order to build sustainable businesses within poor environments, companies have to enhance existing market conditions. Rather than inserting themselves within already functional markets, companies instead build new markets. They raise awareness among potential customers and improve the capacities of poor communities. They conduct research and share information with other stakeholders. They enter into public-policy dialogue in order to help shape the regulatory framework. Sometimes, they even create new organisations

to fill gaps in the social or service-provision ecosystem.¹⁸ Once the business is up and running, it becomes much easier for others to enter the same market, build on the improved market environment and copy the successful model. By building new markets, inclusive business models improve the market environment for everyone. This systemic contribution magnifies the impact on relevant development objectives and contributes to inclusive growth.

Green and inclusive

Economic development to date has been closely tied to increased natural resource use and environmental degradation. This link has to be decoupled for inclusive business models. Poor communities are often disproportionately affected by environmental damage. Basic houses and shacks have comparatively little protection against the extreme weather conditions resulting from climate change. There is often no alternative to contaminated sources of drinking water. Thus, inclusive business models must focus on green, environmentally sustainable activities in order to contribute to development in the long run.¹⁹ Danone and others are using biodegradable packaging for their products sold in poor communities to avoid plastic waste. Renewable energy types such as solar, wind or water power are often used to provide energy to people off the grid. Inclusive business can thus even serve as an innovation ground where environmentally sustainable ways of doing business with broader markets can be identified.

¹⁶ UNDP (2008). *Creating Value for All*.

¹⁷ Deepa Narayan, Robert Chambers, Meera Kaul Shah and Patti Petesch (2000). *Voices of the Poor: Crying Out for Change*. New York: Oxford University Press.

¹⁸ Gradl and Jenkins (2011). *Tackling Barriers to Scale*.

¹⁹ Stuart L. Hart (2005). *Capitalism at the Crossroads – The Unlimited Business Opportunities in Solving the World's Most Difficult Problems*. Upper Saddle River, NJ: Prentice Hall.

How inclusive business models contribute to the MDGs

The Millennium Development Goals (MDGs) represent the global community's commitment to improving the living conditions of poor people by 2015. Eight goals with specific, measurable targets create a focus for the development efforts of all countries and actors. Several businesses, including the winners of the G20 Challenge on Inclusive Business Innovation, demonstrate how such models can contribute to MDG goals.



Millennium Development Goal 1:

Eradicate extreme poverty and hunger

Inclusive business approaches create jobs and income opportunities, and they enhance food production by supplying inputs to farmers and nutritious food to consumers. Sustainable Harvest, for example, imports high-quality coffees from 15 countries around the world. The company promotes investment in farmer training and development, impacting the lives of over 185,000 farmers.



Millennium Development Goal 2:

Achieve universal primary education

Low-cost private schools and instructional materials as well as mobile-based teaching services enhance access to education. Improved lighting sources and access to water can help free up time to study. Tsinghua Tongfang markets computers to China's rural population that include distance-education software, both for the primary and secondary school levels and for minority language instruction.



Millennium Development Goal 3:

Promote gender equality and empower women

By lending to women, financial institutions empower them to become micro-entrepreneurs. By promoting profitable business models and engaging women in the value chain as distributors and employees, inclusive businesses models create opportunities for income and self-reliance. Bakhresa Grain Milling in Malawi, for example, helps individuals, many of whom are women, launch their own bakeries, offering training programmes and workshops on profitably selling doughnuts, scones and other bread products.



Millennium Development Goal 4:

Reduce child mortality

Inclusive business can enhance children's health by providing access to clean water and nutritious food as well as affordable health care services. Waterlife, for example, builds and runs water purification plants in underserved areas of rural and urban India that otherwise have no access to safe drinking water. Altogether, the company serves 1.4 million people, helping reduce the prevalence of contaminated water and its associated health risks, including diarrhoea, a major cause of death among children.



Millennium Development Goal 5:

Improve maternal health

Available and affordable health care is crucial for maternal health. Apollo Reach Hospitals make high-quality tertiary-care services affordable for poor people in India. While Apollo is focused on cardiac care, similar approaches exist for gynaecology. LifeSpring offers high-quality health care to poor women and children across Andhra Pradesh. Providing microinsurance helps women manage health care costs associated with a pregnancy.



Millennium Development Goal 6:

Combat HIV/AIDS, malaria and other diseases

Approaches include providing affordable medicines and preventive-care products such as nets, and running health care services and dispensaries. A to Z Textile Mills in Tanzania provides affordable, long-lasting insecticide-treated bed nets that prevent mosquitoes from spreading malaria, contributing to a 50% reduction in deaths.



Millennium Development Goal 7:

Ensure environmental sustainability

Inclusive business models should always embed environmental sustainability in their approaches. This is especially critical in resource-intensive sectors such as energy, housing and water. VINTE builds affordable, sustainable housing for low- and middle-income families in Mexico. VINTE's houses start at US\$23,000, and the company uses modern infrastructure services and innovative technologies such as rooftop solar cells to help homebuyers save money on electricity bills and other maintenance costs. VINTE also encourages the efficient use of water, gas and lighting among homeowners, enabling them to save money on utility bills.



Millennium Development Goal 8:

A global partnership

This goal relates to cooperation with the private sector to provide access to medicines and the benefits of new technologies, especially in the information and communications sector. Millicom provides prepaid telecommunications services under the Tigo brand in 14 countries in Latin America and Africa. Services are affordable to poor people because they can add as little as US\$0.10 to their prepaid balance at any time. In addition, Millicom provides mobile banking services to populations that otherwise lack access to financial services. At the end of 2011, Millicom had more than 680,000 points of sale, helping to create additional income for street vendors.

Sources: IFC (2012). G20 Challenge on Inclusive Business Innovation. Washington, D.C.: World Bank Group; UNDP (2010). The MDGs: Everyone's Business. New York: UNDP; Interviews with G20 winners; Krishnadas Nanath (2011). LifeSpring Hospitals: a social innovation in Indian healthcare. Bingley, UK: Emerald Emerging Markets Case Studies Collection; Christina Gradl (2012). Sumitomo Chemicals and the Fight Against Malaria Using Bednets. Cambridge MA: CSR Initiative of the Kennedy School.

Government has the capacity to ease constraints

When implementing inclusive business models, companies face a number of widespread constraints in terms of information, rules, financial resources, and structure and capacity.

Companies are not the only ones to struggle with these constraints; their target groups within poor populations also face barriers in these areas. These constraints are the primary reason why most inclusive business approaches remain circumscribed or even fail. Government, with its unique capacities, is often well positioned to remedy these constraints. Policy can therefore play a critical role in enabling inclusive business models to gain scale and achieve broad impact.

The following table shows how government, by applying its capacities, can remedy constraints specific to inclusive business:

INFORMATION



RULES



FINANCIAL RESOURCES



STRUCTURE AND CAPACITY



CONSTRAINTS FOR POOR PEOPLE	CONSTRAINTS FOR COMPANIES	GOVERNMENT CAPACITY
<p>Information about poor communities, including their purchasing power, consumption habits, needs, preferences, skills and capacities, is rarely available. Specialised business services such as market research institutes or consultancies do not have adequate information regarding the poor. Companies cannot easily identify business opportunities or assess the size of a market.</p>	<p>Poor people, for their part, lack information about available choices, how to make use of such choices and reap their benefits.</p>	<p>Governments require and receive vast amounts of information from diverse stakeholders for their own policymaking purposes. This central position and the authority that comes with it puts them in a unique position to generate and share information.</p>
<p>Regulation regarding companies' entry into poor communities is often either lacking or overburdening. Companies with innovative business models face considerable red tape and often cannot build on existing regulatory frameworks (e.g., for private education, health care provision or mobile money services).</p>	<p>Poor communities mainly use informal markets. However, informality creates hurdles in creating business links. Formal companies find it difficult to procure products and services from informal organisations without binding contracts. Banks and financial services find it difficult to work with poor people who cannot document their identity.</p>	<p>Government is the only actor in society that has the mandate and the authority to force societal actors to comply with rules and impose sanctions in the case of non-compliance. Formulating and implementing rules can involve cooperation with private actors through participation or even the delegation of powers (e.g., by setting up a framework for monitored self-regulation).</p>
<p>Companies aiming to implement inclusive business models often find it hard to obtain financing. Risks are perceived as high, especially since much about the target market is often unknown. In addition, credit markets in developing countries are often immature, and the low margins associated with typical inclusive business models means that high interest rates of 30% or more are unaffordable.</p>	<p>Poor people usually conduct most of their economic lives in cash, without access to financial services such as banking, credit or insurance. Even if an investment provides fast returns, they might be unable to finance it due to the high interest rates charged by informal money-lenders. Without insurance, investments can be too risky to undertake.</p>	<p>Governments have the capacity to collect financial resources by levying taxes, tariffs and other fees. They also disburse financial resources in order to incentivise companies to invest in certain activities (e.g., via subsidies and tax breaks). Finally, they redistribute financial resources to the poor, enabling this population to meet basic needs.</p>
<p>A lack of physical infrastructure often makes it difficult for companies to reach poor communities. Roads are often poor and logistical networks lacking. Likewise, reliable sources of water or energy are absent in many places. The lack of infrastructure also makes doing business difficult for poor people.</p>	<p>Basic services such as schools and training centres or health care centres and hospitals are often not available in poor communities or are of very poor quality. As a result, poor people often lack the education and skills required to participate in broader value chains. They also often suffer from poor health. This creates problems for companies who cannot find skilled personnel and have to deal with absenteeism.</p>	<p>Structure and capacity refers to the direct provision of public goods and services by the state or public enterprises. Examples include education, health care, physical infrastructure and utility services. Governments have a mandate to ensure basic needs are met. They also have a mandate to manage natural monopolies such as physical infrastructure networks.</p>

20 | 21

Why policies are needed to support inclusive business

Companies cannot always overcome these constraints by themselves. By providing support, governments can leverage private investment and innovation to achieve public development goals.

Companies need support

Difficult market conditions drive up the costs of establishing and running a business in poor communities. As a result, companies often find it more attractive to concentrate on the “easier” market segments, represented by high- and middle-income people in cities. Even when companies reach out to poor communities, addressing constraints such as a lack of roads or low literacy levels is often too costly for one company alone. Moreover, investing in public goods of this kind does not make sense in a competitive environment, where subsequent rivals may be able to reap the benefits without incurring any of the costs. Companies doing so would put themselves at a disadvantage. Finally, companies simply do not have the authority or ability to remove some constraints, such as gaps in regulation.

Governments have a mandate

By contrast, governments have a mandate to ensure enabling market conditions, and thus help tackle all of the four broad constraints outlined before. In the case of regulation, government is the only legitimate actor. At the same time, governments have a mandate to pursue development goals and promote the welfare of their citizens. When governments improve the conditions for inclusive business model implementation, they are not only advancing growth and private-sector development, but are contributing directly to development objectives. Hence, inclusive business policies are a way to pursue economic- and social-policy objectives at the same time.

Governments can leverage private-sector competencies

Governments can share the task of achieving development objectives with the private sector. Through inclusive business policies, governments can leverage the power of companies to invest and innovate, thus identifying and implementing effective solutions in the areas of utility services, education, health care, income-generation opportunities, and the enhancement of citizens’ overall well-being.

Each actor has a role to play

Governments interact with a variety of stakeholders to devise and implement inclusive business policies. As members of an “ecosystem” of actors, each stakeholder has a specific and complementary role to play. All these actors interface with one other at various points. While the roles described here are generic, the description of instruments in the following chapters will highlight the specific roles played by each actor.

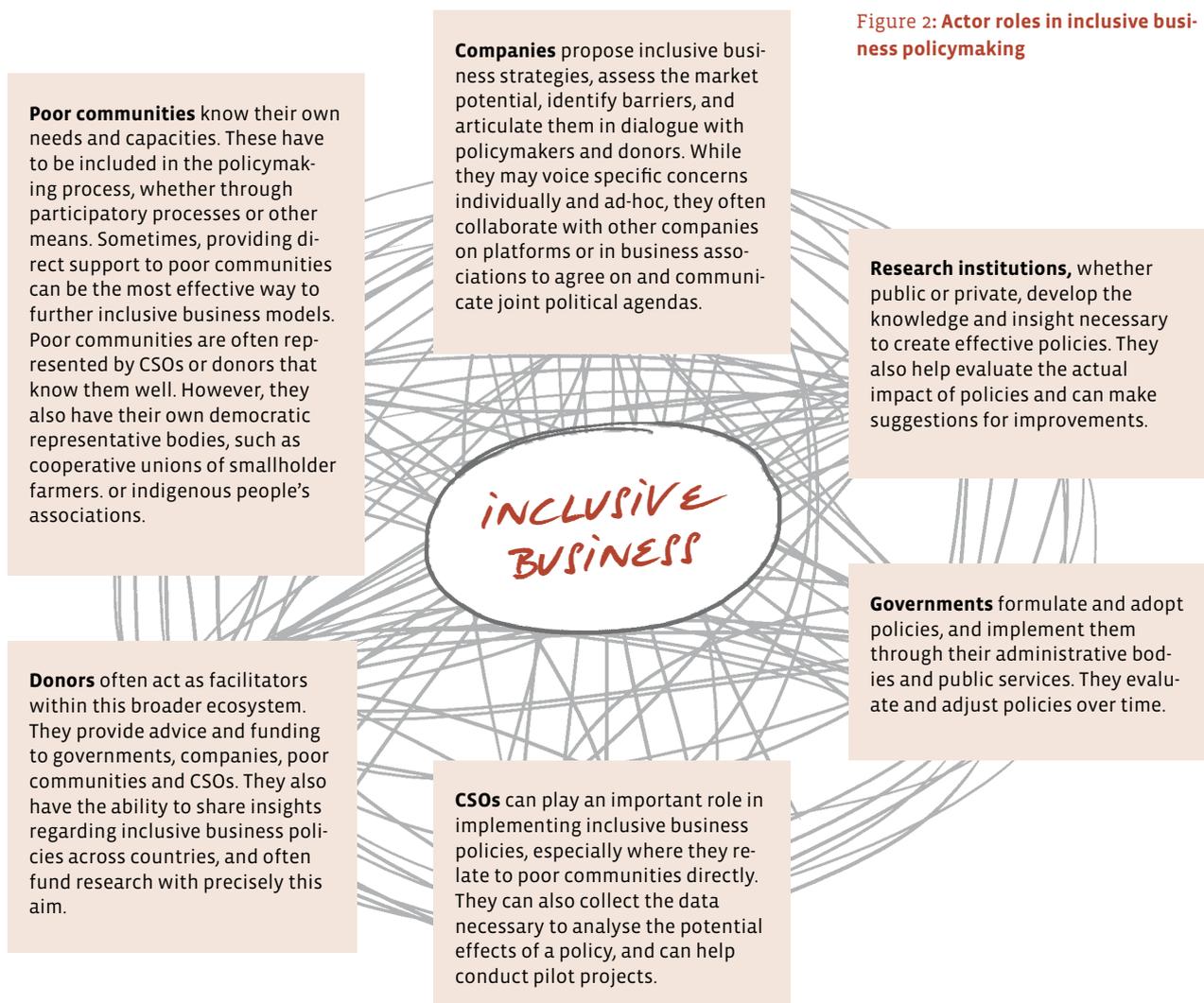


Figure 2: Actor roles in inclusive business policymaking

Introducing the toolbox

What exactly can governments do to leverage the power of the private sector for development goals? The inclusive business policy toolbox is designed to identify policy instruments effective in supporting inclusive business models. It therefore specifies a variety of approaches and corresponding instruments that comprise the set of options available to governments in facilitating direct linkages between the private sector and poor communities. The toolbox distinguishes 19 separate instruments, drawn from an evidence base of 158 real-world cases.

Figure 3:
The inclusive business policy toolbox

APPROACH ↓	TYPE →	i INFORMATION	§ RULES	\$ FINANCIAL RESOURCES	# STRUCTURE AND CAPACITY
 ENABLE		<ul style="list-style-type: none"> • Data and research • Peer learning 	<ul style="list-style-type: none"> • Sector regulation • Standards • Overarching policy frameworks 	<ul style="list-style-type: none"> • Access to finance/ market-rate loans 	<ul style="list-style-type: none"> • Infrastructure
 ENCOURAGE		<ul style="list-style-type: none"> • Awards 	<ul style="list-style-type: none"> • Obligatory inclusion • Legal forms for businesses with social mission 	<ul style="list-style-type: none"> • Financial support • Public procurement 	<ul style="list-style-type: none"> • Development partnerships
 EMPOWER		<ul style="list-style-type: none"> • Awareness-raising 	<ul style="list-style-type: none"> • Legal framework for market participation 	<ul style="list-style-type: none"> • End-user subsidies • Insurance schemes 	<ul style="list-style-type: none"> • Microbusiness support • Capacity-building

Policy approaches

Governments can support companies in implementing inclusive business models using three main approaches. All three approaches aim to lower barriers hampering interaction between poor people and companies.

- Governments can **enable** companies to enter low-income markets. They can reduce market barriers and create conditions that are more conducive for companies to access these markets.
- Governments can **encourage** companies to invest in inclusive business models. Financial, reputational or other incentives can improve return on investment for inclusive business activities, and thus make it more attractive for companies to invest in this area.
- Governments can **empower** poor people to engage with companies. As a result, companies find it easier to do business with them.

Types

The second dimension of the toolbox distinguishes four types of policy instruments.²⁰ These types relate to the basic capacities of government and respond to the market constraints described before.

- **Information** includes the generation of knowledge through research as well as information sharing. Examples of instruments include campaigns, labelling, research, publication of data, roundtables and other dialogue forums, award schemes, and other ways to identify and highlight good practices.
- **Rules** refers to regulations and their enforcement. This may include frameworks for self-regulation, but also encompasses broader guidelines and strategies for social development as formulated in a constitution or development plan.
- **Financial resources** relates to a government's ability to levy taxes and provide financial incentives. Instruments include taxes, user charges, grants, tax deductions, subsidies and public procurement.
- **Structure and capacity** refers to the direct provision of public goods and services by the state or public enterprises. Examples might include education, health care, physical infrastructure or utility services. The category also refers to a government's administrative and institutional structures and related capacities.

19 instruments

Nineteen different policy instruments have been identified by compiling and clustering 150 real-world examples of policies that facilitate links between the private sector and poor communities. In principle, additional instruments are conceivable, and new instruments could be created on the basis of this toolbox. The 11 instruments in red shown in figure 3 are examined in depth in the following subchapters, which are in turn organised on the basis of the three approaches. For the other eight instruments, evidence remains too limited to allow an in-depth analysis to be performed. As a result, they are introduced only briefly in the following pages.

Using the toolbox

Clearly, distilling complex policy measures into stand-alone instruments represents a major simplification. However, this simplification is intended to facilitate exploration of the landscape of options, and assist in devising useful policy measures. The particular constellation of instruments adopted will ultimately depend on the specific policy objective and context, and will therefore vary from context to context. Combining instruments is often effective. It is, however, important to select and formulate policies based on thorough analysis and dialogue with stakeholders – as chapter 5 shows. For policymakers, it is important to keep in mind that each policy instrument will have intended as well as unintended consequences. In some cases, unintended consequences may even outweigh the intended benefits. Indeed, the advantages and disadvantages of a concrete policy measure need to be carefully weighed.

The next three chapters discuss the individual approaches to supporting inclusive business models, identifying gaps and opportunities that specific policies can address. Each chapter then explores in depth the most widely used instruments. Each instrument is first described in general terms and then followed by a discussion of implementation requirements and the roles of critical partners. A real-world policy example illustrates each application.

²⁰ These types of policy instruments are based on the so-called NATO model, a widely used typology created by Christopher Hood. According to this typology, there are four categories of government action: Nodality, Authority, Treasury, Organisation (NATO). Since these terms are not self-explanatory, they have been renamed for the purposes of this report. However, the content of each type remains the same. See also Christopher Hood (1983). *The Tools of Government*. London: Macmillan.

Chapter 2

ENABLE

Enabling companies to enter low-income markets

By **removing or alleviating constraints** to low-income market entry, governments can nurture enabling environments and help investments grow. Prominent instruments include the production of relevant data and research, as well as the establishment of conducive sector regulation, standards and overarching policy frameworks.



Overview of “enabling” instruments

Governments can enable companies to enter low-income markets by removing or alleviating constraints, thus reducing costs, risks and uncertainties related to inclusive business.

Enabling business environments are a complex set of policy, legal, institutional and regulatory conditions that govern business activities.²¹ There is widespread agreement on the need to create them for private-sector growth.²²

Governments can improve the enabling environment by reducing business costs and risks as well as by increasing competitive pressures and stimulating market incentives that hone businesses’ efficiency and innovation capacities. These broader business-environment reforms are not treated in detail here, but are equally relevant to companies targeting conventional or low-income markets.

While broader investment-climate policies typically focus on the development of the private sector as a whole, inclusive business policies concentrate on business models targeting poor communities. In seeking to enable companies to access the low-income market, governments are already using a variety of instruments identified in the toolbox.

Information

Governments often possess or can generate **data** that helps companies understand the low-income market and assists them in defining a business case. Moreover, **research** performed by public institutions can create opportunities for business, by advancing relevant technologies or documenting successful business models, for example. These insights, as well as companies’ own experiences, can be shared in **peer learning** forums. For example, the Asian Development Bank (ADB) hosts a Regional Forum on Inclusive Business, which brings together inclusive business representatives from across the region with investors, development finance institutions (DFIs) and donors.²³

SEE PROFILE P. 28

Figure 4: “Enabling” policy instruments

APPROACH	TYPE	i INFORMATION	§ RULES	\$ FINANCIAL RESOURCES	# STRUCTURE AND CAPACITY
 ENABLE		<ul style="list-style-type: none"> • Data & research • Peer learning 	<ul style="list-style-type: none"> • Sector regulation • Standards • Overarching policy frameworks 	<ul style="list-style-type: none"> • Access to finance/ market-rate loans 	<ul style="list-style-type: none"> • Infrastructure

²¹ UNIDO, GTZ and BMZ (2008). Creating and Enabling Environment for Private Sector Development in sub-Saharan Africa. Vienna: UNIDO.

²² DCED DCED (2008) Supporting Business Environment Reforms – Practical Guidance for Development Agencies.

²³ www.adb.org/themes/poverty/inclusive-business-base-pyramid/investment-fora

Rules

Sector regulation* creates the legal basis for companies to build businesses, either by creating new regulations for new industries or by relaxing or adjusting existing regulations. **Standards**** for products and production processes related to the low-income market improve the reliability of business relationships both for companies and for poor people. **Overarching policy frameworks***** orient economic activity towards inclusiveness, while providing a vision for the formulation of more concrete policy able to promote inclusive business.

***SEE P. 34

Financial resources

DFIs on the national and regional levels provide loans to companies when no other reasonable options exist. **Market-rate loans** may be provided by public bodies at a competitive rate of interest, enabling companies to make investments of a size and kind the local banking sector may not support. For example, the IFC, which has enabled many inclusive business models through lending and associated technical advice. IFC has a special unit for inclusive business.²⁴

Structure and capacity

Where governments invest in **infrastructure**, both physical and institutional, they open up access to low-income markets. Better roads reduce transport costs. Reliable electricity and water supplies make business more predictable. Institutional structures and processes can facilitate private-sector engagement in development-oriented activities. In Burundi, for example, the public postal system provides the distribution infrastructure for mobile phone operator Econet.²⁵ In the case of inclusive businesses more specifically, new technologies can play an important role in reaching rural areas. The Indian government, for example, is currently working to provide smart ID cards to each of its one billion citizens. A system of unique IDs not only allows public services to be targeted with greater precision, but also enables companies requiring identity verification, such as insurers, to enter into long-term contracts with customers.²⁶

*SEE P. 30

**SEE P. 32

Gaps and opportunities

Some relatively easily applied instruments remain underexploited.

- Existing **market data** (e.g., from household surveys) can be made accessible to companies.
- **Research** on relevant technologies, productive uses of local materials and locally relevant business models can be funded or commissioned.
- **Peer learning forums** and awards at the national level in certain industries represent a quick and easy way to take stock of existing inclusive business models, while starting a dialogue on how they can be supported by government. Such forums could be implemented in collaboration with donors. GIZ, on behalf of BMZ, has organised such dialogue forums in the energy, insurance, pharmaceutical and agribusiness sectors.
- **State-owned banks** could adopt IFC-like loan programmes, providing credit at market-based rates while also offering borrowers technical advice related to inclusive business. Access to finance was cited by companies participating in the G20 competition as the most significant constraint in building inclusive business. Indeed, some 90% of the 167 applicants cited acquiring access to finance as a key obstacle. In fact, 36% of the firms surveyed consider this their largest obstacle.²⁷

SEE BOX ON P. 15

²⁴ www.ifc.org/wps/wcm/connect/AS_EXT_Content/What+We+Do/Inclusive+Business

²⁵ Tilman Ehrbeck, Mark Pickens, and Michael Tarazi (2012) Financially Inclusive Ecosystems – The Roles of Government Today. Focus Note 76. CGAP: Washington DC.

²⁶ www.uidai.gov.in/

²⁷ IFC (2012). Policy Note on Business Environment for Inclusive Business Models. Washington, DC: World Bank Group. Nearly one-half of the surveyed firms cited other significant obstacles, most commonly poor infrastructure and a lack of qualified labour.

INSTRUMENT
PROFILE

Data and research

TYPE
INFORMATIONRULES
FINANCIAL
RESOURCES
STRUCTURE
AND CAPACITY

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. Government household surveys are often the only reliable source of data.

The Next 4 Billion, a 2008 report by the IFC and the World Resources Institute, was the first and remains to date the most comprehensive effort to estimate the size of the BoP market.²⁸ FinScope surveys conducted in 15 countries provide information on the demand for and supply of financial services. Surveys are typically sponsored in partnership by national governments and donor organisations. Companies can use this data to identify market opportunities and trends, as surveys are conducted at regular intervals.²⁹

Governments typically also fund **basic research** at universities or specialised research institutes. This research can enable inclusive business in a variety of ways, for example, by developing productive uses for local materials. Agronomic research institutes develop new seed varieties and farming practices that smallholders and companies can adopt to increase competitiveness. The Ethiopian Institute for Agricultural Research, a research wing of the country's Ministry of Agriculture, supported PepsiCo and USAID by identifying two high-potential locations for implementation of their chickpea sourcing project. The institute has also worked closely with farmers to improve their productivity through the introduction of

better seeds.³⁰ The technology behind Ecofiltro, a company providing water filters in Guatemala, was developed as part of a water purification project financed by the Inter-American Development Bank (IADB) at the Central American Research Institute (ICAITI).³¹

Research on localised models for inclusive business can provide concrete guidance to companies. Donors have sponsored the majority of research on inclusive business models. With support from local researchers, the UNDP Growing Inclusive Markets Initiative has documented in depth 166 examples in 52 countries, and has published several reports that have provided valuable information to companies and policymakers.³² The BMZ and GIZ have funded research on critical sectors such as agribusiness, pharmaceuticals, energy and ICT.³³ The Practitioner Hub systematically collects and publishes insights on making inclusive business work.³⁴ Nevertheless, detailed, national-level information on market conditions and appropriate models often remains quite limited.

SEE
POLICY
EXAMPLE

²⁸ IFC and WRI (2008). The Next 4 Billion.

²⁹ www.finscope.co.za

³⁰ UNDP (2013). Realizing Africa's Wealth.

³¹ Philip E. Wilson (2011). Ecofiltro: Clean Drinking Water for All.

³² www.growinginclusivemarkets.org/

³³ www.giz.de/Wirtschaft/de/html/1745.html

³⁴ <http://businessinnovationfacility.org/>

Implementation requirements

Capacities for high-quality research need to be available. Research can be conducted by government agencies (i.e., statistics offices or agronomic extension services), public and private universities, or research institutes.

Governments can provide guidelines for research priorities. This can be achieved either by outlining national research agendas through close collaboration between ministries and research institutes, or by funding research through targeted calls for proposals.

International standards and guidelines for research are useful as a benchmark, especially for data collection, but also in the production of qualitative research on business models. Using international protocols makes data comparable and thus increases its value to those using it for analysis or insight development. Guidelines also make it easier for local researchers to conduct research that meets international standards.

Critical partner roles

- Public and private research agencies and institutes conduct research on markets, processes or products at the national level.
- International research institutes can support national institutes by providing guidance and protocols, peer reviews and capacity-building. They can also provide cross-country comparisons.
- International conferences serve as forums for comparing results, producing insights and defining joint research agendas.

FURTHER READING:

UNSTATS (2005). **Studies in Methods. Household Sample Surveys in Developing and Transition Countries.** New York: U.N. Department of Economic and Social Affairs.

POLICY EXAMPLE

Research on the productive use of coconut in the Philippines

Photo: © Sunigato/FOCUS



The growing industry around cocofibre nets provides jobs and income for thousands of poor people, and women in particular.

Dr. Justino Arboleda, dean of the College of Agriculture at Bicol University, convinced the International Research and Development Centre (IRDC), the Philippine government’s principal research and development arm, to conduct research on productive uses for coconut husks. As the world’s second-largest coconut producer, the Philippines produces 6 billion kilograms of coconut husk per year. Yet coconut farmers are among the poorest groups in the country: the 3.5 million coconut farmers (less than 4% of the country’s population) comprise 20% of the country’s poor.

The study developed machinery to grind waste coconut husk. It also developed special fabrics that help prevent soil erosion, based on a 100-year-old weaving process. The study discovered that coconut fibre nets have unique characteristics for soil protection, as they degrade naturally at a rate that allows vegetation to settle firmly in the soil, while also absorbing water and containing natural rooting hormones.

Dr. Arboleda set up a company, CocoTech, to commercialise the product and integrate poor communities into the production of coconut-based fabrics. He lobbied the government to employ cocofibre nets in its own infrastructure projects, a decision that would save costs and create income-generating opportunities. In 2002, a presidential memorandum was signed mandating the use of cocofibre products in all government infrastructure projects.

CocoTech provides livelihoods to around 2,000 households. In addition, an industry comprised of several companies and an umbrella association has evolved to produce and market cocofibre nets to address soil erosion worldwide.

Sources: Elvie G. Gancharo and Perla Manapol (2008). *Coco Technologies: Providing Livelihood Opportunities for Poor Coconut Farmers through Value-Adding*, GIM Case Study. New York: UNDP. Ralph Fajardo (2012). *Pulling Bicol up from poverty with coco fibre ropes – The story of Dr. Justino Arboleda*. Philippine Daily Inquirer. 14 April 2012, philcoir.com

INSTRUMENT
PROFILE

TYPE
INFORMATION
RULES



FINANCIAL
RESOURCES
STRUCTURE
AND CAPACITY

Sector regulation

Inclusive business models exist in a broad range of sectors. Each sector and indeed each business approach requires a regulatory framework in order to provide the legal basis for its activities. However, such legal frameworks are often either lacking or, alternatively, are too rigid and overburdening to allow for the successful implementation of innovative business models. A sound regulatory framework reduces uncertainty and enables long-term investments.

In **well-established sectors**, regulation is often too rigid to allow for new approaches. In many cases, the provision of services meeting basic needs is the exclusive domain of the public sector, especially in the areas of education, health care and utility services. However, by opening these areas to private investment with a clear pro-poor agenda, governments can attract new investment and discover new solutions able to reach those who had previously been underserved. In Mali, for example, the Ministry of Mining and Energy opened the energy sector to private investment, a decision that enabled French energy company EDF to create rural energy-service companies. Many smaller companies also took this opportunity to begin offering energy services in rural areas.³⁵

Some sectors and business approaches lack regulation because they are entirely **new**. Examples include microcredit and microinsurance, mobile banking, or off-grid energy provision. The Vodafone M-Pesa mobile money service was initially limited to Kenya and the Philippines due to regulatory constraints on mobile phone operators conducting financial services.

Regulatory changes in many countries have since allowed M-Pesa to increase the scale of its operations.³⁶ The 1999 Microfinance Law in Morocco created a clear framework for the development of this industry in Moroccan markets. Along with a government fund slated for this purpose, the new regulation spurred the rapid expansion of microcredit provision.³⁷

Whether policies regulate new or established sectors, governments can devote special attention to **enhancing access to markets for the poor**. Brazil has an agricultural policy tailored to the needs of smallholder farmers. This has included the creation of a specific ministry for small-scale agriculture, as well as various programmes promoting agricultural development linked to social and regional development.³⁸ In Colombia, Law 99 of 1993 established a water and sanitation sector framework allowing the expansion of coverage in poor municipalities not effectively served by traditional public utilities.³⁹

SEE
POLICY
EXAMPLE

³⁵ Mamadou Gaye (2008). Rural Electrification in Mali: Improving Energy Accessibility to the Rural Poor, GIM Case Study. New York: UNDP.

³⁶ Jack Newnham (2013). Scaling Inclusive Business – Why Do Some Successful Inclusive Business Pilots Fail to Scale? Inside Inclusive Business Issue 10, September 2013.

³⁷ www.microfinancegateway.org/p/site/m/template.rc/1.26.12518/

³⁸ Franziska Junker and Kai Schütz (2011). How Brazilian agricultural policy is promoting family farms. Berlin: GIZ.

³⁹ www.elaw.org/node/1822

Implementation requirements

Sectoral regulation is typically the task of specific ministries. Where ministerial responsibilities are unclear, as in the case of mobile banking (an activity that falls into both the financial and ICT sectors), ministries have to communicate and decide how to share responsibilities.

When previously public services are opened up to private-sector investment, regulation needs to foresee the potential negative effects they may have on poor communities and allow for compensation. For example, regulation can set certain service-provision targets for poor segments of the population.

Creating sector regulation that facilitates inclusive business models sometimes requires a shift in thinking within the public administration. A (sometimes not unfounded) bias against private-sector involvement persists, especially in sensitive

sectors such as water, or those traditionally wholly in the ambit of government such as education. In Senegal, policymakers recognised the potentially valuable role of the private-education sector in a 2004 amendment to the country’s overarching education legislation.⁴⁰ This type of recognition can help reduce investor uncertainty and build public and political support.

Critical partner roles

- The private sector can raise awareness of the potential for opportunities created by opening up markets and provide technical advice on how to implement policies effectively.
- CSOs with specific sectoral expertise can provide advice on policy formulation, identify needs and assess results.

⁴⁰ Article 3 of Law 91-22: www.cape.gouv.sn/IMG/pdf/loi_91-22.pdf

FURTHER READING:

Andrew Dorward, Shenggen Fan, Jonathan Kydd, Hans Lofgren, Jamie Morrison, Colin Poulton, et al. (2004).

Institutions and Policies for Pro-poor Agricultural Growth. Development Policy Review (22) 6: 611-622.

Tilman Ehrbeck, Mark Pickens and Michael Tarazi (2012).

Financially Inclusive Ecosystems: The Roles of Government Today. Washington, D.C.: CGAP Focus Note.

POLICY EXAMPLE

Telecommunication regulation in the Democratic Republic of the Congo

Left photo: © Faliphone; right photo: © FredR



Vendors selling airtime are present even in remote areas of the Congo, making mobile telephony an important source of income.



Entrepreneurs like this young designer can better market their products when they have access to mobile telephony.

CelTel International is the leading pan-African mobile operator. The company established itself in the Democratic Republic of the Congo (DRC) in 2000, during the civil war. Apart from widespread poverty and the lack of security, uncertainties regarding telecommunications, corporate and tax laws as well as the reliability of the judiciary and police represented considerable risks to investors. CelTel addressed these challenges proactively, working to support the ceasefire agreement and the transitional political process with international backing. The company engaged in dialogue with the government about the proper legal and regulatory framework, building strong relationships with regulatory authorities. CelTel’s agenda coincided with the government’s agenda of promoting peace, reunification, and postwar investment and growth.

In 2003, a new telecommunications law was passed, providing a clearer legal framework for concessions from the state and telecommunications operations on Congolese territory.

CelTel has since gained more than 2 million customers in the DRC. Growing access to affordable mobile communication has benefited both the population and the country itself. Mobile phones have helped connect displaced and scattered families, and have created jobs, especially for women (in the form of mobile phone kiosks). CelTel was bought by Zain and later airtel, which today is the largest telecommunications provider in the DRC with 7 million customers. By 2012, there were almost 20 million active mobile phone lines in the DRC.

Sources: Juana de Catheu (2007). CelTel and Celpay in the Democratic Republic of Congo, GIM Case Study. New York: UNDP, ITU database.

INSTRUMENT
PROFILE

Standards

TYPE
INFORMATION
RULESFINANCIAL
RESOURCES
STRUCTURE
AND CAPACITY

Standards are sets of criteria that goods, services, processes or organisations must fulfil. Standards can be developed by public or private institutions, and may be either voluntary or compulsory.

Governments are increasingly involved in the development of standards that promote sustainability and inclusive business goals. Standards with a voluntary or semi-mandatory character can be seen as an effective complement to binding regulation, as they require less administrative effort and public resources to be expended.

Standards can enable companies to reap the benefits of more inclusive and sustainable means of production. They can also make it easier for companies to reach poor customers with their products or services.

A number of standards are relevant for including poor people as **producers**. Fair trade standards exist for a range of products and services from cocoa to tourism. These certify that products have been produced by producer organisations that receive a fair share of the revenues, and that a share of the proceeds is invested in community projects.⁴¹ A variety of standards have been developed for different agribusiness value chains. The Rainforest Alliance, for example, has developed standards for agriculture, forestry and tourism that help conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviour.⁴² Specific standards exist for coffee, cocoa, cotton, palm oil and other crops. GoodWeave International certifies that rugs have been produced without the use of child labour.⁴³

SEE
POLICY
EXAMPLE

Standards such as SA8000, produced by Social Accountability International, certify that companies and their suppliers comply with labour standards, including child labour and worker health-and-safety rights.

Standards may help low-income suppliers improve the quality of their products and adopt new production and marketing techniques. In 2010, for example, the Peruvian National Coffee Board developed a quality assurance system for coffee nurseries and created a manual on standards for coffee plants, which the government subsequently endorsed. The board also trained small-scale producers in reaching this quality level and supervised their production.⁴⁴

Standards can also help in reaching out to poor people as **customers**, especially in environments where few consumer protection institutions are in place. Some products are particularly relevant for poor people, and standards can reflect this group's special needs. Lighting Global, for example, tests off-grid lighting products for quality and durability.⁴⁵ Governments can also customise standards for their national markets. Tanzania, for example, has made it mandatory to fortify cooking oil with vitamin A. Companies can undertake this low-cost measure without suffering a competitive disadvantage, and offer at the same time improved products that even poor consumers can afford.⁴⁶

⁴¹ www.fairtrade.net

⁴² www.rainforest-alliance.de

⁴³ www.goodweave.org

⁴⁴ www.esfim.org/collaborative-research/peru

⁴⁵ www.lightingglobal.org/activities/qa/standards

⁴⁶ Christina Gradl (2012). Building a Strategic Alliance for the Fortification of Oil and other Staple Foods (SAFO). Cambridge MA: CSR Initiative of the Kennedy School.

Implementation requirements

Governments can set their own standards. However, building on existing international standards often makes more sense, since it saves costs both in terms of development and implementation. Often, international standards organisations offer support in adapting standards to the local context. Consistency with international standards also makes it easier for companies to engage in cross-border trade.

Governments can also collaborate on the development of standards. In 2010, for example, the East African Organic Production Standard was developed by participating East African countries in collaboration with UNEP, UNCTAD, and the International Federation of Organic Agriculture Movements (IFOAM), specifically in order to shift from the region's various national standards towards a single scheme.⁴⁷ Businesses have subsequently benefited from lower standardisation and certification costs and better access to export markets.

Governments can also help local businesses meet international standards, thereby improving access to markets. In Ethiopia, a team of experts and an office at the Ministry of Agriculture and Rural Development worked to acquire third-country status within the European Union so that local honey producers could export

their products to Europe. This ultimately helped 10,000 Ethiopian honey producers access the EU market.⁴⁸

Certifying and verifying compliance with standards requires specialised institutions. Most countries have a standards bureau that formulates, promotes and enforces standards. Private certification agencies such as Germany's TÜV also certify international standards. The presence of these institutions in a country makes companies' certification process much less costly.

Governments can also play an important awareness-raising role with respect to standards. Particularly within the low-income market segment, an endorsement from the government generates attention and trust.

Critical partner roles

- Standards organisations, often CSOs such as Fairtrade International (FLO) or the Rainforest Alliance, develop and set standards, monitor compliance, and raise awareness. They bring all stakeholders together to continuously review and adjust standards. They also support producers in meeting standards.
- Standards bureaus and public or private certification agencies certify and verify compliance.

FURTHER READING:

CBTF (2008). **Best Practices for Organic Policy - What Developing Country Governments Can do to Promote the Organic Agriculture Sector.** New York/Geneva: United Nations.

Paulo Perez-Aleman (2011). **Global standards and local knowledge building: Upgrading small producers in developing countries.** Washington, D.C.: Proceedings of the National Academy of Science of the United States of America.

⁴⁷ UNEP (2010). Aid for Trade Case Story - The East African Organic Products Standard, Aid-for-Trade Case Stories. Paris and Geneva: OECD and WTO.

⁴⁸ UNDP (2013). Realizing Africa's Wealth.

POLICY EXAMPLE

Sustainable forest certification in Guatemala

In 1990, the government of Guatemala designated an area of 2.1 million hectares the Maya Biosphere Reserve and established the National Council on Protected Areas. It also introduced a concessionary scheme awarding people and companies the right to harvest timber within the protected area if they joined the international Forest Stewardship Council (FSC) certification scheme for responsible forest management.

The government targeted forest communities in raising awareness about opportunities related to the new scheme. Communities then began organising themselves into cooperatives in order to facilitate certification, with the first community being granted its forest concession in 1994. Today, Guatemala's Maya Biosphere Reserve contains the second-highest number

of community-based FSC certificate holders in the world. Some 1,800 people earn a livelihood from selling FSC-certified wood and timber by-products, or by working in local mills. A community enterprise provides technical, processing and marketing services to its members.

Today, deforestation rates in Guatemala's FSC-certified areas are 20 times lower than that observed in non-FSC areas. In other good news, the incidence of wildfires in FSC areas has fallen nearly to zero.

Sources: Christine Carey (2008). Eo49 Governmental Use of Voluntary Standards. Place: Publisher; ISEAL Alliance (2008). The Guatemalan Maya Biosphere Reserve and Forest Stewardship Council Standards, Case Study 4. London: ISEAL.

INSTRUMENT
PROFILETYPE
INFORMATION
RULESFINANCIAL
RESOURCES
STRUCTURE
AND CAPACITY

Overarching policy frameworks

Overarching policy frameworks create a governing vision for development for all societal stakeholders. They are an important foundation for the long-term development of inclusive business ecosystems.

Where overarching policy strategies clearly formulate the link between economic growth, poverty alleviation and the role of the private sector, they provide direction and a solid foundation for business investment in poor communities. They also set out a strategy for further policy development in, for example, a particular economic sector or with reference to a specific development issue.

Overarching policy strategies are enshrined at the **highest level of policymaking**, in the constitution or in the national development plan. Kenya's Vision 2030 is the country's current development programme, covering the period from 2008 to 2030. Its objective is to help transform Kenya into a "newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment."⁴⁹ Colombia has created a Sector for Social Inclusion and Reconciliation, a new organisational framework that focuses the efforts of a variety of government bodies and of society as a whole on specific overarching goals for the social development of the country. These frameworks inform all levels and areas of policymaking and implementation.

Implementation requirements

In order to create a framework conducive to the operations of inclusive business, overarching policy strategies need to articulate a vision of broad-based, pro-poor development in the economic, social and environmental realms. Ideally, these strategies will be developed in an open and participatory policymaking process, which involves the private sector and other actors in society. Civil society (NGOs, citizens, and other CSOs such as trade unions or indigenous peoples' associations) plays a crucial role in defining the requirements for and assessing the outcomes of a broad-based policy framework.

One useful mechanism in this regard is to involve local communities in the planning and formulation process of the strategies, thus ensuring the representation of citizens' needs. This can be done via local consultations, stakeholder workshops or data gathering/surveys in remote areas. This was performed to good effect in Kenya and in Ecuador, for instance, where the results of an inclusive formulation process served as the basis for a subsequently developed policy framework.

However, if they are to be meaningful, overarching policy strategies need to be tied directly to practical measures in order to achieve proposed goals. These measures have to translate in the short and medium term into tangible positive change for poor people. This involves im-

SEE
POLICY
EXAMPLE

⁴⁹ Government of the Republic of Kenya. (2007). Kenya Vision 2030.

proved services, access to opportunities for jobs and incomes, and a greater say in business and politics.

Designated structures and institutions are crucial in ensuring that the intended outcomes are produced. These structures can also involve the private sector directly. For example, Kenya established a Vision 2030 delivery secretariat. Vision 2030 is governed by a board of directors, which includes representatives from each of the country's ministries and from the private sector. In Colombia, the government is currently undergoing a profound institutional reorganisation, including a redefinition of ministries' tasks and the creation of a new Department for Social Prosperity. When creating new structures, interfaces with existing structures have to be clearly defined so as to avoid duplication of effort.

Critical partner roles

- The private sector can contribute to the formulation and implementation of strategies by providing input via business associations, officially endorsing and supporting the strategy, and making commitments towards its realisation.
- The whole spectrum of CSOs plays a role both in defining needs and assessing the outcomes of broad-based policy strategies.

FURTHER READING:

Ifzal Ali (2007). **Inequality and the Imperative for Inclusive Growth in Asia.** Asian Development Review. (24) 2: 1–16.

Andrew Dorward, Shenggen Fan, Jonathan Kydd, Hans Lofgren, Jamie Morrison, Colin Poulton, et al. (2004).

Institutions and Policies for Pro-poor Agricultural Growth. Development Policy Review (22) 6: 611-622.

UNDP (2007). **UNDP Private Sector Strategy: Promoting Inclusive Market Development.** New York: UNDP.

POLICY EXAMPLE

Buen vivir and the national plan for good living in Ecuador

Left photo: © Stephanie DaCosta, right photo: © SENPLADES



Buen vivir promotes a development model that is ecologically balanced and culturally sensitive.

Ecuador is building on its indigenous past by incorporating the concept of “buen vivir” (good living) into its approach to development. Rooted in the worldview (cosmovisión) of the Quechua peoples of the Andes, buen vivir describes a way of doing things that is community-centric, ecologically balanced and culturally sensitive. Rights to the good life, including the rights of nature, are enshrined in the Ecuadorian constitution, which was revised in 2008. The 2009–2013 National Plan for Good Living: Building a Plurinational and Intercultural State translates the concept into an implementation plan. The plan was informed by consultations with local communities conducted in the course of a National Territorial Strategy. Citizen inspectorships were involved in the development of the new national plan. Citizen consultation workshops, taking the form of regional meetings with more than 4,000 civil society representatives, were held as a means of identifying potential national policy proposals. The results of the workshops were published on the government website.



Presentation of the National Plan for Good Living at a meeting with the commission for economic and productive development and microenterprises.

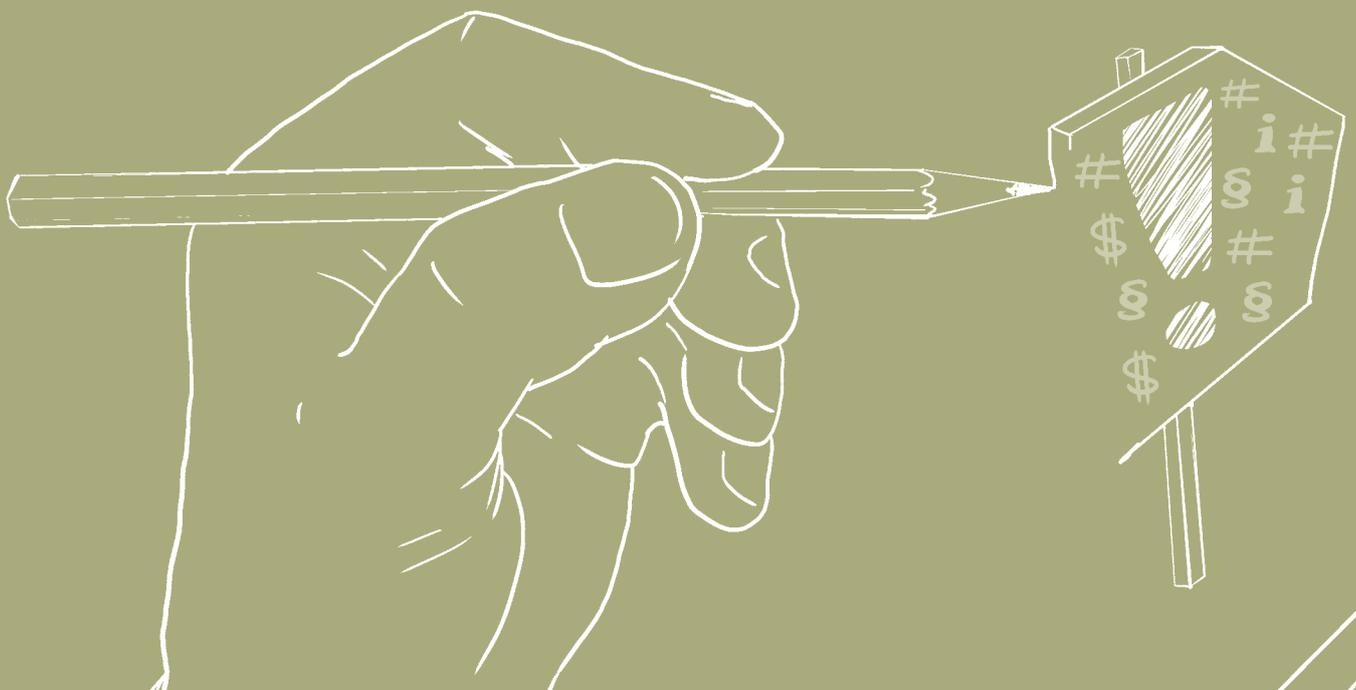
Buen vivir provides a framework for inclusive business because it expressly supports inclusive and sustainable business, and because it helps identify the needs of the local population. For example, the Innovaecuador (IE) programme created by Ecuador's Ministry for the Coordination of Production, Employment and Competitiveness fosters good business practices and innovation. It targets SMEs and provides financing to investment plans that fall into priority sectors that, in turn, have a direct impact on social inclusion and job creation.

Sources: Republic of Ecuador (2008). Constitution of the Republic of Ecuador; Republic of Ecuador (2009). National Development Plan. National Plan for Good Living 2009-2013: Building a Plurinational and Intercultural State; T. Fatheuer (2011). Buen Vivir: A brief introduction to Latin America's new concepts for the good life and the rights of nature. Berlin: Heinrich-Böll-Stiftung; E. Gudynas. (2011). Buen Vivir: Today's tomorrow. Development (54) 4: 441-447; www.innovaecuador.gob.ec/

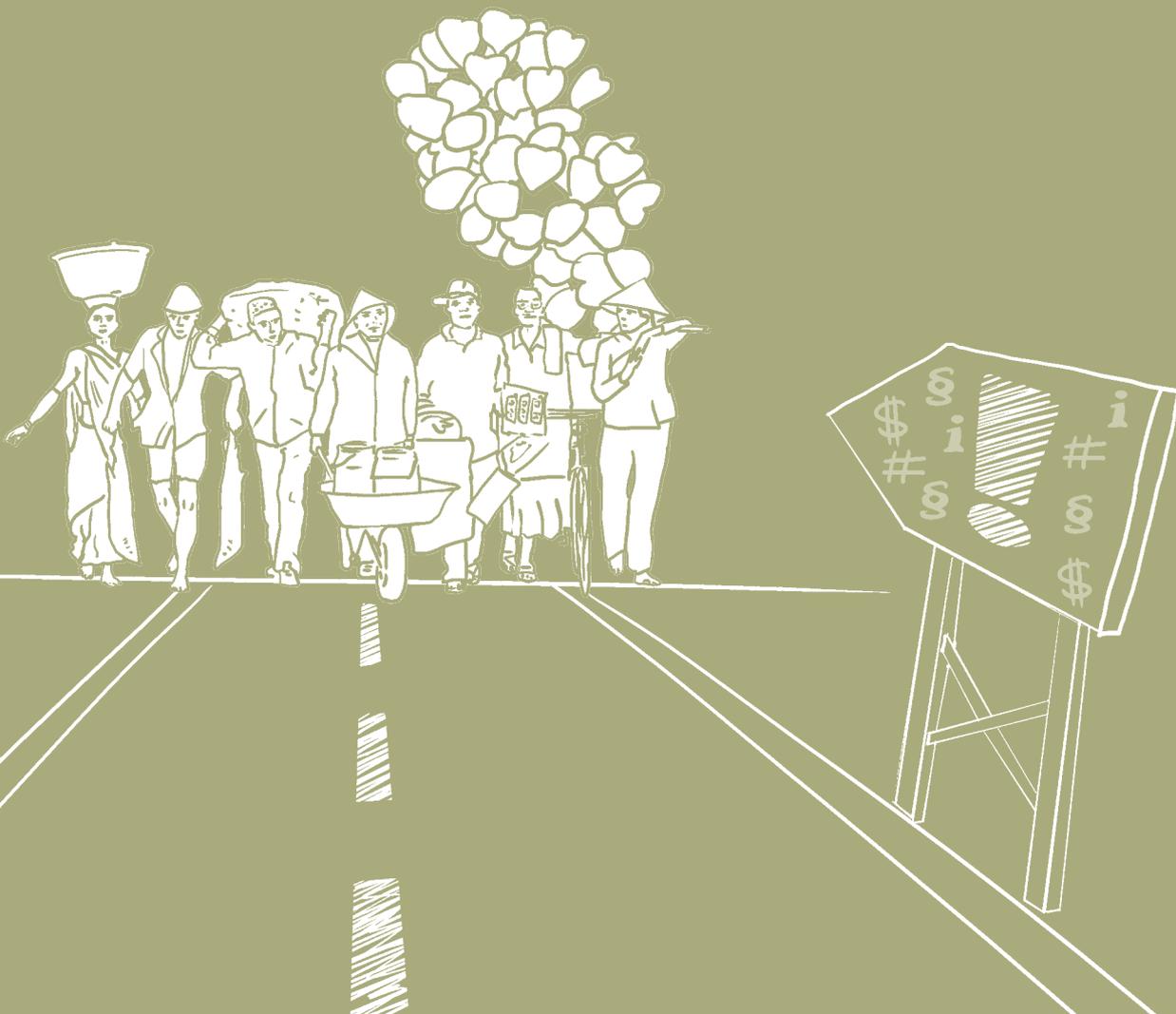
Chapter 3

Encouraging companies to invest in low-income markets

ENCOURAGE



Governments can **encourage** inclusive business by **increasing the returns** companies can expect from inclusive business activity. Instruments include creating a **legal form** for business with a social mission, providing **financial support**, using preferential **public procurement**, and engaging in **development partnerships**.



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Overview of “encouraging” instruments

Governments can encourage companies to invest in low-income markets by increasing the returns of inclusive business.

Companies are often hesitant to develop business in low-income markets. Conditions for doing business are typically challenging, and companies often have to develop new business models that operate on thin margins and require a comparatively large scale to be reached in order to break even

In addition, these companies’ activity may produce social benefits that are not rewarded through the market. In order to provide incentive for such activity, governments can introduce instruments that help increase expected returns and lower the risks faced by inclusive business ventures.

Governments usually encourage inclusive business practices in specific value chains that are especially relevant for poor people. Thus, governments seek to attract investment in services that meet basic needs in areas such as education, energy, health care, sanitation, water or waste management. They also reward the creation of income-generating opportunities for the poor in areas such as the agribusiness or tourism sectors.

Information

Companies that manage to create benefits for low-income people deserve recognition. **Awards** not only increase the reputational payback for individual companies, but also attract newcomers to the field by presenting inspirational examples. The Indian Millennium Alliance runs regular award programmes designed to identify and support innovative inclusive business models. The platform, initiated by the Technology Development Board under the national Department of Science and Technology, the Federation of Indian Chambers of Commerce and Industry, and USAID, funds projects at various stages of development with the aim of diffusing innovations widely.⁵⁰

ENCOURAGE

Figure 5: “Encouraging” policy instruments

APPROACH	TYPE	i INFORMATION	§ RULES	\$ FINANCIAL RESOURCES	# STRUCTURE AND CAPACITY
 ENCOURAGE		<ul style="list-style-type: none"> • Awards 	<ul style="list-style-type: none"> • Obligatory inclusion • Legal forms for businesses with social mission 	<ul style="list-style-type: none"> • Financial support • Public procurement 	<ul style="list-style-type: none"> • Development partnerships

*SEE PROFILE ON P. 40

****SEE P. 46

Rules

The most direct way to encourage companies through regulation is to **make inclusion obligatory**. India has taken this approach in the insurance sector, where all insurance companies are required to sell a percentage of their policies in rural areas.⁵¹ However, while 34 insurers flouted the norm between 2000 and 2010, the Insurance Regulatory and Development Authority acted against only nine of them.⁵² The example shows that pure push strategies may not be effective if there is no real pull from the market side.

(Special **legal forms** within corporate law,^{*} specifying potential ways of structuring economic activities, offer a more market-oriented approach to encouraging companies to focus on social impact. For example, cooperatives provide a legal form for companies that aim to include customers or producers as owners.

Financial resources

Government-provided **financial support**^{**} directly enhances profits from inclusive business activities. Instruments include subsidies and tax breaks, as well as grants, funds and guarantees. The Brazilian government, for example, provides subsidies and tax breaks to biodiesel producers to encourage them to purchase a portion of their oil seed from family farms.⁵³ **Public procurement procedures**^{***} can provide incentives for inclusive business by defining certain minimum requirements (e.g., fair labour conditions) and by procuring preferentially from businesses that create benefits for poor communities. Direct purchases from micro and small enterprises or smallholders, as mandated by the Indian Public Procurement Policy for Micro and Small Enterprises (MSEs), help poor producers meet the standards needed to be integrated into broader value chains.⁵⁴

**SEE PROFILE ON P. 42

***SEE P. 44

Structure and capacity

By entering into **development partnerships**,^{****} governments can draw on their own structures and capacities to support inclusive business. Under this model, public- and private-sector partners each contribute complementary capabilities in the implementation of a project that will create benefits for both sides.

Gaps and opportunities

Governments can take some easy steps to explore the potential for encouraging inclusive business.

- **Awards** can be a “quick win” in terms of signalling a government’s interest in inclusive business and increasing recognition for national companies offering opportunities to low-income people. Awards also create a useful platform for learning about existing inclusive businesses in the country, as well as for speaking with companies about market challenges and opportunities.
- **Donors** have employed a variety of tools to encourage the private sector to make investments in poor communities. Above all, challenge funds and development partnerships have been used to create incentives. National governments can find inspiration in these existing programmes and learn from past experiences.⁵⁵
- **Public procurement** can be a powerful instrument for raising awareness about and encouraging inclusive business. However, designing and implementing effective incentives via procurement takes time and experience. Governments can start by requesting information about inclusion as part of the procurement process. This information can help governments understand the various aspects of inclusivity and determine the level of inclusion that is reasonable to expect.

51 This policy is called Obligations of Insurers to Rural Social Sectors. For more on this, see: Tapen Sinha (2005). The Indian Insurance Industry: Challenges and Prospects. Nottingham, UK.

52 Times of India (2012). IRDA soft on insurance companies flouting norms.

53 <http://portal.mda.gov.br/portal/saf/programas/biodiesel/2286217>

54 <http://pib.nic.in/newsite/erelease.aspx?relid=77047>

55 The DCED website provides an overview of existing programmes for collaboration with the private sector at: www.enterprise-development.org/page/partnershipmechanisms.

INSTRUMENT
PROFILETYPE
INFORMATION
RULESFINANCIAL
RESOURCES
STRUCTURE
AND CAPACITYLegal forms for businesses with
a social mission

While many companies with primarily commercial goals employ inclusive business models as part of their mainstream activities, others prioritise their social mission over and above any commercial interests, even accepting lower profits when necessary in order to have a greater impact.

These “social businesses” often follow a “no loss, no dividend” approach under which all profits are reinvested into their core mission.⁵⁶ These are hybrid approaches, often falling between the cracks of corporate law’s typically sharp distinction between for-profit and charitable organisations.

Today, these organisations are known as inclusive businesses, social businesses, social enterprises or other similar terms, and may be incorporated as limited liability companies, non-profit associations, foundations or cooperatives. Yet businesses with an explicit social mission often struggle with these legal forms, as they do not adequately reflect the organisation’s mode of operation. For instance, the entity may be too profitable to qualify as a non-profit association or foundation, but may nevertheless compromise profit in order to enhance its impact, which may violate the fiduciary duties of a limited liability company.

Governments can encourage companies to pursue business with a social mission by acknowledging the special character and contribution of these companies. By officially defining “business with a social mission,” the government can create a basis for all further direct support for this type of entity, whether this comes in the form of tax exemptions or reductions,

access to low-cost funding, preferential public procurement, or support through technical assistance.

In the United States, 19 states have already introduced the category of benefit corporation. This legal form explicitly acknowledges stakeholders other than shareholders, and thus enables companies to prioritise environmental and social goals at a level equal to or even higher than that of profit goals. In order to remain in compliance, they are legally required to demonstrate the public benefits they have generated.⁵⁷ However, critics argue that mainstream corporate law already allows executives to consider the public benefit and external stakeholder interests when making their decisions.⁵⁸

In the Philippines, a “Magna Carta” for social enterprise is under development. If enacted as law, it would grant tax incentives to businesses that qualify. It would also put in place support mechanisms such as marketing assistance and access to preferential government funding.⁵⁹

The cooperative has long been a foundation of inclusive business. As membership-based and membership-driven organisations, cooperatives draw on aspects both of traditional businesses and CSOs. They

⁵⁶ Muhammad Yunus (2009). *Creating a World Without Poverty: Social Business and the Future of Capitalism*. New York: Perseus.

⁵⁷ www.bcorporation.net/what-are-b-corps/legislation

⁵⁸ Noam Nokes (2012). *Benefit Corporations vs. “Regular” Corporations: A Harmful Dichotomy*. Harvard Law School Forum on Corporate Governance and Financial Regulation. Cambridge MA: Harvard University.

⁵⁹ Congress of the Philippines (2012). House Bill 6085.

can provide a stable framework for entrepreneurs and small companies in the informal economy. They can also be a vehicle for promoting community participation and development, for instance by providing access to education, training and social services.

Implementation requirements

Probably the most difficult 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. But in order to set business with a social mission apart, governments have to recognise specific business goals and objectives as particularly valuable from a social perspective, perhaps because they tackle urgent development issues such as education or health care. No matter where the line is drawn, criticism can be expected from those actors beyond that line. Ideally, governments will build on an existing consensus or develop a consensus in conjunction with key representatives of social groups active in the area, including CSOs and private-sector associations. For example, the idea of a B-Corp was first established as a voluntary standard, and only later translated into law as a benefit corporation by various U.S. states.

When a special legal form for business with a social mission is introduced, commercial registers, tax administrators and corporate

courts have to be able to unequivocally distinguish traditional for-profit and charitable organisations from this new hybrid. Criteria for the new form have to be clear-cut. Where tax benefits are involved, revenue offices down to the local level have to be able to apply the criteria correctly. Otherwise, the new legal form could result in a major loss of tax revenue, especially if the framework leaves too much leeway for individual judgement.

By the same token, other benefits associated with the new form must either be implemented within existing state structures, or through the creation of new structures. To implement preferential public procurement, for example, procurement guidelines have to be updated and disseminated throughout all relevant levels of the public administration. If business development services are to be offered, existing support services must receive a new mandate or new ones must be created.

Critical partner roles

- Companies that operate businesses with a social mission play a key role in identifying and articulating the specific needs that should be met with the new legal form. Communication of this sort can be delivered by specialised associations, CSOs or forums.
- Research institutes can assess the benefits and drawbacks of new legal forms and share insights through advisory services and peer learning.

FURTHER READING

Eva Heckel and Ingrid Pecher (2007). **Study on Practices and Policies in the Social Enterprise Sector in Europe.** Vienna: Austrian Institute for SME Research and TSE Entre (Turku School of Economics) Finland.

Hagen Henry (2012). **Guidelines for Cooperative Legislation.** 3rd ed. rev. Geneva: ILO.

Noam Nokes (2012). **Benefit Corporations vs. “Regular” Corporations: A Harmful Dichotomy.** Harvard Law School Forum on Corporate Governance and Financial Regulation. Cambridge MA: Harvard University.

Francesca Rheannon (2012). **The Benefit Corporation: Transforming Corporations from Psychopaths to Good Citizens.** London: CSR Wire.

POLICY EXAMPLE

Promoting cooperatives in South Africa

South Africa’s Integrated Strategy on the Development and Promotion of Cooperatives 2012–2022 serves as a means of supporting businesses with community roots. The strategy is informed by the 2005 Cooperatives Act (amended in 2012), and recognises the potential of cooperatives to empower the rural poor and small enterprises. The 2005 act created the necessary legislative structures, while the 2012 amendment established a Cooperatives Development Agency to provide support services for cooperatives.

To encourage the creation of cooperatives, the Department of Trade and Industry offers financial and nonfinancial support services. It aims to create demand for cooperatives’ products via preferential procurement opportunities. Enterprise networks and business infrastructure support are being planned.

The creation of support legislation and the subsequent procurement mandate across all levels of government yielded relatively quick results. By 2009, the number of registered cooperatives had increased by 86%. The majority of these were owned by black women. Youth-owned cooperatives also began to emerge. However, most of the newly registered cooperatives are financially weak and continue to require high levels of support.

Source: Department of Trade and Industry of South Africa (2012). The DTI Integrated Strategy on the Development and Promotion of Co-operatives. Cape Town: Government of South Africa.

INSTRUMENT
PROFILETYPE
INFORMATION
RULESFINANCIAL
RESOURCESSTRUCTURE
AND CAPACITY**SEE
POLICY
EXAMPLE*

Financial support

Various instruments can be subsumed under the broad category of financial support. These range from subsidies and tax relief to grants, impact-investing funds and guarantees.

Subsidies or tax relief programmes offer a direct way to increase companies' financial performance. These "carrots" are typically utilised in order to achieve very specific outcomes. In Brazil, the Programa Nacional de Produção e Uso de Biodiesel provides subsidies and tax breaks to encourage biodiesel producers to purchase a portion of their oil seed from family farms.⁶⁰ The government of Peru enacted Law No. 29482, also known as the Promotion Act, to encourage the development of productive activities in the high Andes region. Under this law, all investments that produce employment opportunities within provinces located above 2,500 metres are exempt from tariffs and taxes for an initial term of 10 years. Small producers' handicrafts and textile productions will particularly benefit from this regulation.⁶¹

Grants can serve to attract investment into development-related fields. The government of South Africa provides private community radio operators with equipment in order to broadcast to remote communities.⁶² Challenge funds have emerged as effective and versatile financing mechanisms to catalyse pro-poor innovation and investment. The Jobs Fund in South Africa co-finances projects pursued by public, private and civil society organisations that will significantly contribute to job creation. The fund has received approximately €700 million from

the national budget, and aims to create 150,000 jobs by the end of 2015.⁶³

Impact-investing funds* have been used as a vehicle to provide preferential loans for the purpose of developing inclusive businesses. The Global Impact Investment Network (GIIN) defines impact investments as "investments made into companies, organisations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances."⁶⁴ The benefit of using a fund model is that outsiders can invest alongside a public entity, thus leveraging the public-sector contribution.

Guarantees have been employed by governments mainly for the financial services sector. Agrofinanzas, a commercial bank in Mexico, benefits from guarantee schemes provided by government banks, thus enabling it to grant credit to customers without financial history or collateral. The Mexican government has made the mechanism very easy to use and completely automatic. Agrofinanzas lends, then logs into the system and receives the guarantee. Eligibility is determined ex post, thus accelerating the process considerably. The guarantee, which requires a fee payment, usually covers only 50% of the capital put at risk by a given loan.⁶⁵

⁶⁰ <http://portal.mda.gov.br/portal/saf/programas/biodiesel/2286217>

⁶¹ Government of the Republic of Peru. (2010). Reglamento de la Ley N° 29482, Ley de Promoción Para el Desarrollo de Actividades

⁶² www.sanews.gov.za/south-africa/govt-biggest-supporter-community-radio

⁶³ www.jobsfund.org.za/about.aspx

⁶⁴ <http://iris.thegiin.org/>

⁶⁵ IFC (2012). Agrofinanzas case study. Washington, D.C.: World Bank Group, Interview with Agrofinanzas.

Implementation requirements

The provision of financial support can be an expensive instrument. Subsidies and tax exemptions are especially tricky, as they are vulnerable to company rent-seeking, and tend to increase in scope over time. Interventions that are more specifically targeted, such as grant programmes or funds, can help limit expenses. In addition, funds enable governments to leverage public money and attract outside investment. Funds can be structured so as to give private investors a reasonable risk profile and rate of return, while government funds cover the riskier, less attractive portions of the investment. Another advantage offered by funds and grants is

that they can be administered externally, thus requiring no substantial changes to existing public administration structures. This limits the resource strain on government and makes it easier to cancel the programme after a certain time.

Critical partner roles

- Donors as well as impact investors can help with the design of financial instruments. They can also act as co-funders.
- Funds, grants and guarantees can be administered either by external service providers or government agencies.

FURTHER READING

Ben Thornley, David Wood, Katie Grace and Sarah Sullivant (2011). **Impact Investing: A Framework for Policy Design and Analysis.** Cambridge, MA: InSight at Pacific Community Ventures and The Initiative for Responsible Investment at Harvard University.

POLICY EXAMPLE

Inclusive Innovation Fund in India



The Indian Innovation Fund aims to create an ecosystem of enterprise and entrepreneurship comprised of innovative solutions for the bottom of the pyramid



The National Innovation Council established a fund specifically in support of pro-poor investment.

The National Innovation Council (NIC) in India, established by the prime minister, is preparing to launch the India Inclusive Innovation Fund. Based on government seed funding, it will seek additional contributions from public-sector enterprises as well as private investors. The fund will initially total approximately €65 million, but the stated aim is to increase this amount tenfold in the long term. The fund will invest directly

in firms serving the low-income market as well as indirectly through funds focused on this segment. It will operate as a for-profit entity, and provide social and economic returns to investors. The fund will target a gross investment internal rate of return (IRR) of 10% per annum before taxation and management charges.

Source: www.innovationcouncil.gov.in

Left photo: © 2011 The World Bank Group / Curt Carnemark, right photo: © Emma Tomkinson

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INSTRUMENT
PROFILETYPE
INFORMATION
RULES
FINANCIAL
RESOURCESSTRUCTURE
AND CAPACITY

Preferential public procurement

Public procurement is the process by which government and public entities purchase goods, services, capital and technologies. Government is the largest single buyer of goods and services in any economy.

Expenditures by developing-country governments often amount to 20% to 30% of GDP.⁶⁶ Moreover, the reach of public procurement policies is extremely broad, as public institutions exist from the national to the local level.

A decentralised public procurement strategy can reach even the smallest communities, which is especially relevant in the agricultural sector. The creation of rules giving procurement preferences to companies with inclusive business models can thus provide a major incentive for companies to include poor people in their value chains.

Public procurement can be used in an ad-hoc manner to support specific products or companies. In the Philippines, the government mandated the use of fibre from coconut husks for public road construction projects, thus increasing market demand for this locally produced material and catalysing a whole new local industry. But it can also be part of a larger framework. South Africa passed a Preferential Procurement Policy Framework Act in 2000, subsequently modified into the Strategy for Broad-based Black Economic Empowerment (BEE) in 2003. In essence, companies wishing to do business with the government have to obtain a BEE certificate from an accredited rating agency, which provides them with a score relative

to their specific industry. In conjunction with other factors such as price and technical adequacy, this certified “empowerment” score determines who will win a given bid.

Public procurement can also be used as a tool to upgrade the capacities of micro and small producers and enterprises. If they are granted special access to procurement schemes, these suppliers find a reliable channel for their products. By meeting procurement requirements, they also improve their processes and documentation, which enables them to access other larger value chains more easily. For example, under its Public Procurement Policy for MSEs, India’s government procures certain goods exclusively from such enterprises, even if prices are up to 15% higher than those offered by the competition.⁶⁷

Concessions are related to public procurement in that government contracts with a private company to provide a certain service or good. However, they differ from procurement in that the private company invests its own resources and reaps the benefits through revenues from users. Concessions can be used to mandate a certain level of inclusion of poor producers or consumers.

SEE POLICY EXAMPLE

⁶⁶ Archana Jatkar, Bulbul Sen, Frederico Pasini and Suresh Singh (2012). Government Procurement in India: Domestic Regulations & Trade Prospects. Jaipur: CUTS International.

⁶⁷ <http://pib.nic.in/newsite/erelease.aspx?relid=77047>

Implementation requirements

Corruption is often a problem in public procurement. It can be exacerbated by increasingly complex factors determining bid awards. Comparatively complex evaluation systems tend to create greater discretion for the actors making the decision, who can use this flexibility for their own benefit. Transparency in the procurement system is therefore critical. The use of IT systems for the entire procurement process, from publishing the tender to receiving the bids and awarding the contract, can help create this transparency.

When the degree of inclusiveness is introduced as a critical factor for procurement, a system able to measure and certify this factor is required. This must include a pre-

cise set of criteria by which the degree of inclusiveness can be determined, as well as definitions for how these criteria should be measured. Ideally, specific agencies or entities should be tasked with conducting this measurement and certifying its accuracy. In South Africa, for example, a whole system of consultancies and certification agencies has evolved around BEE requirements.

Critical partner roles

- Business service providers and certification agencies help companies in meeting compliance criteria for procurement.
- CSOs act as watchdogs to ensure preferential rules are not abused for corrupt purposes.

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Indian Ministry of Micro, Small & Medium Enterprises (2011). **Public Procurement Policy for Micro and Small Enterprises: A Perspective.** New Delhi: Government of India.

POLICY EXAMPLE

Water concessions in the Philippines

Left photo: © 2012 Circle of Blue, right photo: Manila Water



Manila Water is upgrading infrastructure in slum areas in compliance with its concession contract.



New pipes are laid to increase water and sewage system capacity.

Early in the 1990s, the Metro Manila Water Supply System (MWSS) was losing almost two-thirds of the water it produced to leaks and illegal connections. In addition, most of Manila's poor, which comprised 40% of the population, were underserved by the public utility and instead relied on alternative water providers, which provided water in bottles or cans at high prices. To remedy the situation, government privatised the water utility.

In 1997, Manila Water Company won a 15-year concession to serve the eastern zone of Metro Manila with water and wastewater services, because it offered the largest reduction in tariffs. The division of the concession area was designed to ensure greater competition during bidding and allow performance benchmarking throughout the term of the contract. The public sector retained ownership of assets and regulatory oversight. The concessionaires were granted the rights to use existing assets at no cost and to collect revenues, provided they met contractual service targets. For example, the 2006 service targets for the eastern zone required that water service

be provided to at least 98% of the zone's residents, and that sanitation and sewer service be provided to at least 55% of residents. Non-performance would trigger financial penalties.

After Manila Water won this concession, the number of poor households serviced within Metro Manila's eastern zone increased from 1,500 in 1997 to 144,000 in 2006, comprising an estimated 860,000 people. This number includes both those directly served by the MWSS network and those served by alternative water providers in agreement with Manila Water. Wastewater services were also expanded. Manila Water also created local economic opportunities by creating service-provision cooperatives and procuring from them, as in the case of a cooperative focused specifically on pipe rethreading.

Sources: Marie Lourdes Baclagon (2004). Pro-poor Water and Wastewater Management in Small Towns. Water for the Poor Communities (TPSB) Philippines. Manila: UNESCAP; Jane Comeault (2008). Manil Water Company: Improving Water and Wastewater Services for the Urban Poor. Manila: UNESCAP; UNEP (2008). Towards Triple Impact – Toolbox for Analysing Sustainable Ventures. Paris: UNEP, Republic of the Philippines (1995). Water Crisis Act.

INSTRUMENT
PROFILE

- TYPE
- INFORMATION
- RULES
- FINANCIAL
RESOURCES
- STRUCTURE
AND CAPACITY



Development partnerships

Development partnerships are agreements between public- and private-sector entities to pursue a shared set of development goals.⁶⁸ Ideally, these partnerships combine public-sector outreach and resources with private-sector entrepreneurialism, skills and resources.

Governments can benefit from a transfer of knowledge and information, and/or new sources of financing or infrastructure. For private-sector partners, such agreements can increase business opportunities or market share, strengthen supply chains, bolster reputations and provide a social licence to operate. Companies also see partnerships as opportunities to drive innovation and identify new business models.

Development partnerships can involve two or more partners. Sometimes, a public agency and a company join forces to tackle a very specific problem. GiroNil and the Central Bank of Egypt, for example, partnered to develop an Automated Clearing House that allows services to be expanded into the low-income market by facilitating customer due diligence.⁶⁹

However, it is common for a larger number of partners to be involved, often including CSOs and donors, especially where problems are more complex and different types of expertise are required. The Rwandan Ministry of Health and the U.S. government's Centre for Disease Control and Prevention teamed up with IT company Voxiva and the Rwandan Treatment and Research AIDS Centre (TRAC) to improve communication between remote HIV/AIDS clinics and administrative centres. TRACnet, a comprehensive data entry, storage, access and sharing system created through the partnership, is now used to manage drug distribution and patient in-

formation by all 168 health facilities that provide anti-retroviral treatments within the country.⁷⁰

Large-scale multi-stakeholder partnerships are a means of jointly achieving ambitious development goals that would be impossible or very difficult for any single entity. The Southern Agricultural Growth Corridor of Tanzania is a partnership between the World Economic Forum, local and international agri-businesses, the government of the Republic of Tanzania, and donor organisations. Altogether, 20 partners are involved. The collective aim is to achieve significant growth in an area that covers one-third of the country through a joint agribusiness investment plan. Ultimately, this will create opportunities for smallholder farmers to participate in broader value chains.⁷¹

Partnerships can also be implemented with smaller companies and at the local level. Ecotact in Kenya offers sanitation services with its IkoToilets. It enters into long-term contracts with municipalities that provide public land to build facilities. Ecotact covers the cost of constructing the facilities on municipal land, runs them on a commercial basis for five years to recover the investment, and then turns the facilities over to the municipal council to run or lease them back to a private-sector partner.⁷²

SEE POLICY
EXAMPLE

⁶⁸ www.unglobalcompact.org/Issues/partnerships/
⁶⁹ www.egyptianbanks.com/services/egach.aspx

⁷⁰ http://moh.gov.rw/english/wp-content/uploads/2012/05/MOH_Annual_booklet-2011.pdf

⁷¹ Beth Jenkins (2012). Mobilizing the Southern Agricultural Growth Corridor of Tanzania: A Case Study; www.sagcot.com

⁷² UNDP (2013). Realizing Africa's Wealth.

Implementation requirements

In principle, development partnerships require little in the way of formal structures. For smaller partnerships, a memorandum of understanding or other contract between the parties suffices to set up the project, and processes can be handled within the partner organisations by designated personnel. For larger partnerships, a secretariat may be required to coordinate implementation of the project and keep all partners in the loop.

The main challenge in partnerships, however, is the diversity of the partners. Actors from various sectors, despite their interest in a common outcome, often bring very different mentalities to the project. Many partnerships consequently struggle with misunderstandings, disappointed expectations and outright conflict between participants. Governments can provide guidance for public agencies by establishing requirements for entering into partnership with the private sector, and by

producing best-practices guidelines for managing, reporting and monitoring on partnerships.

Many donor organisations have set up specialised partnership programmes that strategically develop partnerships. Governments could use a similar model to facilitate the development and maintenance of partnerships within individual ministries and agencies, thus professionalising approaches to the private sectors.

Critical partner roles

- Donors often act as partners in development partnerships. They provide funding, but also technical expertise and implementation capacities. They often take responsibility for evaluating results of the partnership.
- CSOs, sustainable business associations and business service providers offer support in managing partnerships and in ensuring that partnerships meet their objectives.

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Bertelsmann Stiftung and U.N. Global Compact (2011). **Partners in Development – How Donors can better engage the private sector for development in LDCs**. Gütersloh/New York: Bertelsmann Stiftung and UNGC.

Ros Tennyson (2004). **The Partnering Toolkit**. London: IBLF.

POLICY EXAMPLE

A partnership against HIV/AIDS in Botswana

Photos: © ACHAP Phase II



Awareness-raising event for safe male circumcision in remote villages.



Safe male circumcision medical team in local clinic in Mosu.

Established in 2000, The African Comprehensive HIV/AIDS Partnership (ACHAP) is a project comprising the government of Botswana, the Bill & Melinda Gates Foundation, and the MSD/Merck Company Foundation that is focused on improving Botswana's national response to HIV/AIDS. The Gates Foundation and the Merck Foundation each provided initial funding of US\$56.5 million, while the Botswana government provides policy direction, leadership and human resources, infrastructure, and other logistical services. Merck has also agreed to donate anti-retroviral medicines for the duration of the partnership.

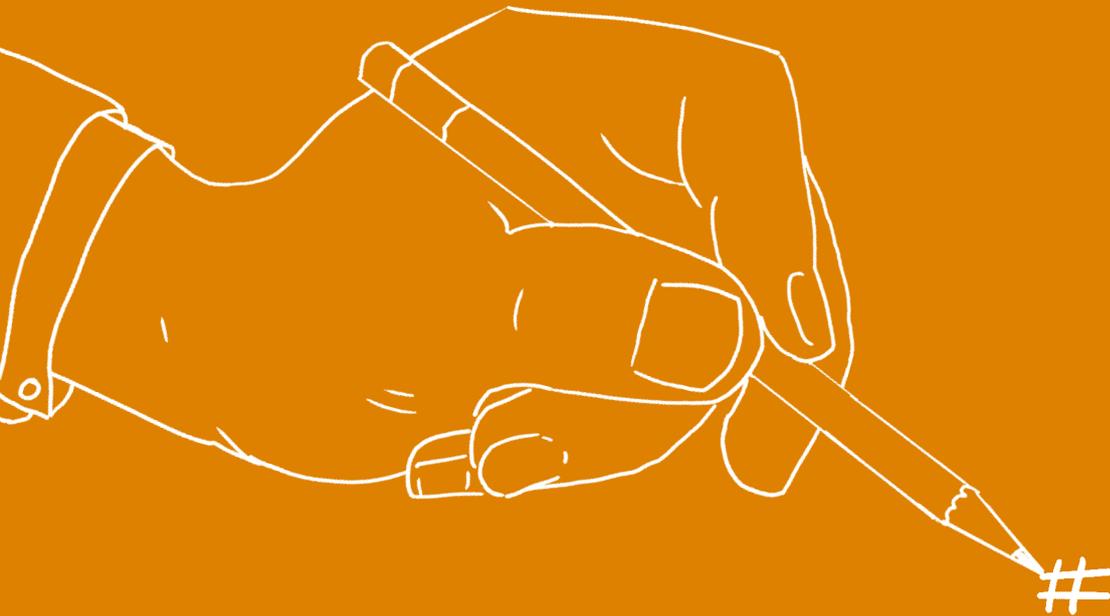
Currently in the second phase of the programme, the partnership's comprehensive approach has included education on HIV, capacity-building in government institutions, infrastructure

development through the creation of 35 infectious-disease care clinics (IDCCs), and the provision of equipment to support laboratory diagnostic and monitoring services, among other activities. Partnerships with CSOs were established to empower communities to take a proactive approach and use the services offered.

ACHAP has offered nearly 114,000 people treatment through the use of public-sector resources. Moreover, infection rates among 15–19 year olds declined by 22% between 2000 and 2005.

Sources: www.achap.org; Ilavenil Ramiah and Michael R. Reich (2006). Building effective public-private partnerships: Experiences and lessons from the African Comprehensive HIV/AIDS Partnerships (ACHAP). *Social Science & Medicine* 63 (2006): 397–408.

Chapter 4



Empowering poor people to engage with companies

EMPOWER

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Governments can **empower** poor people to **engage with companies** as consumers, producers, distributors and employees. These policies indirectly create fertile ground for inclusive business. They can also **directly involve** the private sector in their implementation and thus seed inclusive business models. **Instruments** include **legal frameworks** for market participation, **end-user subsidies** and **insurance schemes**.



Overview of “empowering” instruments

Governments can empower poor people to engage with companies by strengthening their legal and financial position and by building awareness and capacities.

Empowerment happens when people, individually or collectively, conceive of, define and pursue better lives for themselves. Empowerment has economic, political, social and legal aspects. Economic empowerment is the capacity of women and men to exercise control over their livelihoods through their ability to choose which productive activities to engage and invest in, to decide how and when to engage in markets, and to influence the terms on which they do so.

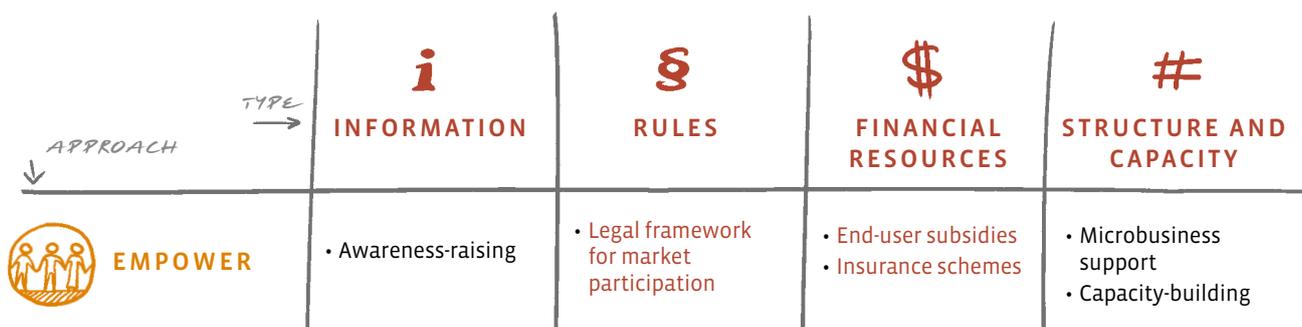
Poor people often lack the power to bargain and negotiate prices and payment terms; they have few options in terms of alternative suppliers or buyers, and they lack the capacity to withhold their products in the expectation of better prices. They are rarely adequately organised or politically influential enough to compete with other interest groups in shaping government policy or market regulation.⁷³

Legal empowerment is closely related to economic empowerment, and focuses on making the law work for poor people. As the Commission on Legal Empowerment of the Poor found, “Most poor people do not live under the shelter of the law, but far from the law’s protection and the opportunities it affords.”⁷⁴ Rather, in-

formal local norms and institutions govern how they live and conduct business. Poor people usually lack legal titles to their land and houses, licences for their businesses, and even ID cards by which to establish their identities.

In this category, it is again difficult to distinguish between general policies for the empowerment of poor people and those that specifically enable inclusive business. In general, anything that strengthens the ability of poor people to engage with companies also strengthens the potential for the development of inclusive business activities. In that sense, all financial transfers and all legal empowerment programmes, as well as all capacity-building and infrastructure development schemes focused on poor communities, help improve the environment for inclusive business. More specifically, inclusive business policies as presented in this study are defined as policies that address and facilitate links between poor people and companies. This direct link can be desirable in order to use empowerment policies to engage companies in the development of more inclusive markets, and to establish links that can lead to sustainable income-generating opportunities for poor people.

Figure 6: “Empowering” policy instruments



⁷³ OECD (2012). Policy guidance note: The role of empowerment for poverty reduction and growth. Paris: OECD.

⁷⁴ Commission on the Legal Empowerment of the Poor (2008). Making the Law Work for Everyone. New York: UNDP.

SEE CASE STUDY ON P. 70

Information

Since poor people often lack access to information, any of the instruments in this category needs to be linked to **awareness-raising** campaigns to make them effective. Farmers need to know how to use fertiliser, pregnant women need to learn about the benefits of preventive care, and so on. In India, the government invests in awareness-raising programmes focused on the benefits of the Rashtriya Swasthya Bima Yojana (RSBY) national health insurance scheme, thus empowering poor people to make an informed decision about where to get free health care treatment. The Ecofiltro company in Guatemala works with local governments to educate communities about the dangers of unsafe water and ways to avoid them.⁷⁵

Rules

A **legal framework for market participation** makes it easier for low-income people to take part in formal value chains. Important policies that provide empowerment through the legal system include formalising informal companies, providing official identification documents and ensuring that poor people have appropriate titles to land. In Albania, for example, changes in the legislative framework allowed a waste recycling company to pay its small suppliers in cash, which was previously illegal.⁷⁶

Financial resources

Economic empowerment also entails increasing the financial capacities of low-income people, and thus their ability to articulate demand effectively. This can be achieved through **end-user subsidies**. In Egypt, the National Housing Programme utilises private-sector capabilities to construct integrated housing communities for the poor by providing private developers with cheap land and offering fixed subsidies to the housing units' purchasers.⁷⁷ Vouchers are often used to make sure transfers are actually employed as intended, as well as to spur the growth of local markets. **Insurance schemes** help poor people manage risks and articulate their demand for certain services, such as health care.

Structure and capacity

Governments can also **build the capacities** of low-income people through education and training programmes. As part of the EthioPEA alliance, the Ethiopian extension service trains farmers in chickpea cultivation. PepsiCo then buys the chickpeas for the production of food products.⁷⁸ In Morocco, the E-Equality, ICT and Entrepreneurship Programme trains youth in business and ICT skills. Half of the graduates found jobs in the ICT sector within six months of graduating from the programme.⁷⁹ Mt Plaisir Estate Hotel in Trinidad and Tobago benefited from public staff-training programmes as part of its tourism development programme.⁸⁰

Microbusiness support programmes help small producers and micro enterprises access larger value chains through capacity-building and matchmaking. In Mexico, a UNDP-supported Supplier Development Programme assists small companies in approaching and participating in 56 value chains headed by anchor companies such as Nestlé, Bosch, Bombardier and Walmart. Small companies benefit from increased sales and better prices, while large companies are able to lower their own costs.⁸¹ Entrepreneurship centres empower microbusinesses by providing information about market opportunities and promising business models, by offering training and coaching, and often by providing working space and even machinery.

Gaps and opportunities

Governments can learn from the experience of donors to empower poor people to engage with companies.

- **End-user subsidies** should build on and support the further development of existing private distribution networks. This enhances the efficiency of input delivery and increases the likelihood that the programme will have a sustained impact after its termination.
- **Capacity-building schemes** could be linked more closely with companies' particular skills requirements. This would facilitate potential employees' smooth transfer from training programmes to actual jobs. Governments could look for inspiration to the German system, where training and education go hand in hand in the so-called dual vocational training system.⁸²
- **Microbusiness support**, including supplier development programmes and entrepreneurship centres, are mostly implemented by donors today. Government can adopt this approach and adjust it to their own needs and development priorities.

EMPOWER



P. 52

P. 54

P. 56

75 IFC (2012). Ecofiltro profile. Washington, D.C.: World Bank Group.

76 Kleinova, Iva & Duerr, Brigitte. "Edipack: A Paper Recycling Pioneer." GIM Caselet No. C108. New York: United Nations Development Programme, 2010

77 www.moh.gov.eg/en_en_design/Default_en.aspx

78 Tofik Firaj Site (2013): PepsiCo: Partnering with international development organizations to scale up chickpea production and fight malnutrition in Ethiopia, GIM Case Study. New York: UNDP.

79 AfDB (2011). Tackling Youth Unemployment in the Maghreb, Economic Brief. Tunis: AfDB.

80 Melanie Richards (2008). Mt. Plaisir Estate Hotel: A Catalyst for Development in Grand Riviere, GIM Case Study. New York: UNDP.

81 Grisel Campuzano (2012). UNDP Supports Transfer of Supplier Development Program from Mexico to El Salvador. New York: UNDP.

82 The GIZ offers governments information and training on this specific approach to vocational training at: www.bibb.de/en/62648.htm

INSTRUMENT
PROFILETYPE
INFORMATION

RULES

FINANCIAL
RESOURCESSTRUCTURE
AND CAPACITY

Legal framework for market participation

In many developing countries, the informal economy is more than a marginal phenomenon: It spans all economic sectors, from commerce and services to industry and agriculture, and is often the main source of employment. In 2006, the informal economy accounted for roughly one-third of GDP in developing countries.⁸³

Informal employment in agricultural and non-agricultural markets can amount to more than 90% of employment in countries such as India or many sub-Saharan African nations.⁸⁴ This is a problem for poor people, who may consequently lack access to government services and social benefits, as well as enforceable economic or workplace rights.

For companies aiming to do business with poor people, bridging the formal-informal divide is a challenge. Formal companies need to document all processes, and therefore find it difficult to transact with people or businesses that do not have documentation. In addition, informal market mechanisms customarily used by poor people are often not directly available to companies, because they are not part of the social networks that serve as a foundation for this informal business activity. By creating frameworks for market participation, governments can narrow the gap between the formal and informal sectors, and thus facilitate inclusive business practices.

Policies can lower the barriers to formalisation. In Kenya, for example, the government has started a process of formalising Savings and Credit Cooperatives (SACCOs). By creating formal structures in which

these financial service providers can operate, this policy also facilitates access by SACCO clients to financial services offered by other providers, such as credit or insurance. In general, cooperatives play an important role in bridging the gap between informal and formal markets. Even if they lack formal identity or business documents themselves, people can act as buyers and vendors via the formalised cooperative structure. In Colombia, a law conceded collective property rights over ancestrally inhabited land to the Afro-descendant communities of the Colombia Pacific Region.⁸⁵ This legal title to their land enabled communities to take mining activities in the area into their own hands and organise a fair and sustainable gold value chain.

Policies can also relax regulatory requirements for business taking place in informal settings. In Mexico, the government has lowered “know your customer” requirements for banks in the case of small accounts. Since money laundering is highly unlikely in cases when customers are depositing or borrowing very small amounts of money, these accounts can even be anonymous. As a result, low-income customers can now open bank accounts even if they lack formal ID cards.⁸⁶

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SEE POLICY
EXAMPLE

⁸³ Friedrich Schneider, Andreas Buehn and Claudio E. Montenegro (2008). Shadow Economies All over the World – New Estimates for 162 Countries from 1999 to 2007. Policy Research Working Paper 5356. Washington, D.C.: World Bank Group.

⁸⁴ ILO (2002). Men and Women in the Informal Economy. Geneva: ILO.

⁸⁵ Oro Verde case; www.greengold-oroverde.org/loved_gold/

⁸⁶ Author's interview with Agrofianzas

Implementation requirements

The first precondition for narrowing the formal-informal divide is gaining a very good understanding of the workings of the informal market in question. One implication of a “shadow” economy is that it is indeed rather opaque; for example, solid 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. Market research such as household surveys can help deepen understanding of the business environment. Participatory research engaged in partnership with the target group will not only reveal challenges, but also point to potential solutions.

Critical partner roles

- Informal actor representatives, including associations and cooperatives, inform about the challenges associated with accessing formal markets.
- CSO and donors can help intermediate between companies, informal market actors and governments.

Esther Ishengoma and Robert Kappel (2006). **Economic Growth and Poverty: Does Formalisation of Informal Enterprises Matter?** Hamburg: GIGA German Institute of Global and Area Studies / Leibniz-Institut für Globale und Regionale Studien.

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Anoop Singh, Sonali Jain-Chandra and Adli Mohommad (2012). **Inclusive Growth, Institutions, and the Underground Economy. Asia and Pacific Department.** Washington, D.C.: IMF.

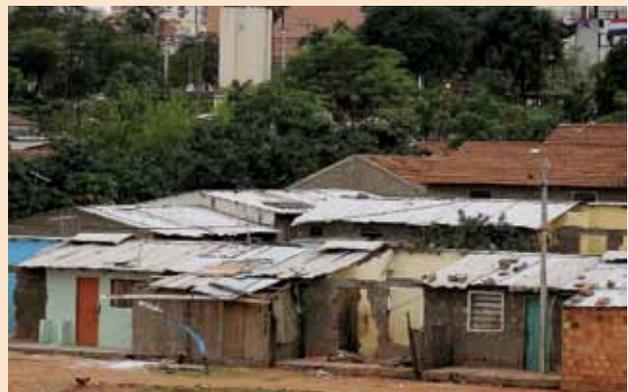
POLICY EXAMPLE

Formalising aguateros in Paraguay

Left photo: ©MDG Fund, right photo: Reddalling about



Only half of the poorest households in Paraguay have access drinkable water. These are the main customer base for aguateros.



Many people living in the periphery of Asunción have the lowest incomes.

In Paraguay, small-scale private water distributors, called aguateros, emerged spontaneously as entrepreneurs in the 1980s, filling a gap left by public utilities in their service provision. These small distributors provide canned and bottled water to approximately 10% of the population. The majority of their clients come from the lowest income groups, which often lack access to piped water.

In 2000, in the course of a general restructuring and privatisation of the water provision system, a Regulatory Framework for Drinking Water and Sanitation Services was passed. This law created the Sanitary Services Regulation Agency (ERSSAN) and provided a legal framework enabling the aguateros to operate with legal recognition. Ten-year permits would be issued through public tender. When the law was enacted in 2002, all existing aguateros automatically received 10-year permits, which were renewable at the discretion of ERSSAN.

However, the legal framework lacked clarity in significant areas and led to uncertainties with respect to future operations. For instance, it stated that after concessions ran out, all aguateros assets would go to the state without compensation.

These ambiguities were also ascribed to the lack of a specialised unit to deal explicitly with regulatory issues in this sector. In January 2009, the government created the Drinking Water and Sanitation Unit (USAPAS), subsequently renamed as DAPSAN), tasking it with responsibility for drafting policies, strategies and plans for the sector, as well as for sector restructuring. This body has already begun to improve the situation by entering into talks with the aguateros.

Sources: www.idrc.ca/Documents/105185-The-Silent-Partner-book.pdf; <http://web.mit.edu/urbanupgrading/upgrading/case-examples/ce-py-agu.html>; Republic of Paraguay (2000).

INSTRUMENT
PROFILE

End-user subsidies

TYPE
INFORMATION
RULES
FINANCIAL
RESOURCES

End-user subsidies to poor people empower them to engage with companies by providing them with the requisite buying power to articulate their demands.


STRUCTURE
AND CAPACITY

Subsidies are typically provided to stimulate demand for products that have socially desirable effects. For example, the provision of health care and education leads to a healthier and better trained population; proper housing mitigates health and environmental hazards and lowers crime rates; and access to agricultural inputs and risk-management options enables farmers to produce more food.

willingness to pay. The level of the subsidy can subsequently be reduced over time as customers start to recognise the value of the products.

User subsidies can play an important role in establishing markets in cases when users need some experience in order to grasp a product's benefits (as with preventive care or mosquito nets) or where positive external effects exist. The Safe Motherhood Voucher scheme entitles women in Kenya to professional antenatal care, delivery services and referral to hospitals when needed. Women can buy the voucher for KES 200 (€1.70). The scheme can cover costs of up to KES 20,000 (€170) and higher when complications arise.⁸⁸ The voucher is intended to let women experience the benefits of antenatal care.

In the past, subsidies for these types of goods have often been provided to the companies that produce them. Yet governments have increasingly sought to enhance market forces and stimulate competition among providers by providing subsidies directly to the products' users. These kinds of subsidies also drive user-oriented innovation and efficiency gains, creating over the medium to long term the potential to discontinue the subsidy. Sometimes, these approaches are combined. In Egypt, the National Housing Programme provides private housing developers with cheap land, and low-income buyers of units with fixed subsidies.⁸⁷

Implementation requirements

End-user subsidies require a very solid implementation structure down to the local level. First, subsidies have to be delivered directly to low-income users. This requires that the eligible target group be clearly defined, and that means of ensuring that subsidies actually reach this group ("targeting") be developed. As with all financial incentives, subsidies are prone to abuse, and given tight household budgets, low-income users are often very creative in transforming public benefits into cash. Depending on the policy area, these local delivery and oversight structures can include local administrative offices, hospitals, agricultural extension services or schools.

SEE POLICY
EXAMPLE

Vouchers are a concrete means 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 products or services with desired social benefits. Moreover, voucher schemes allow products to be only partially subsidised, which - unlike giving out products for free - allows for an evaluation of potential user demand and

⁸⁷ www.moh.gov.eg/en/en_design/Default_en.aspx

⁸⁸ <http://healthmarketinnovations.org/program/kenya-output-based-aid-voucher-program>

In order to achieve their desired goal, end-user subsidies need a supportive ecosystem. Using the example of agricultural inputs, policymakers could consider supplementing the subsidies by improving the transport infrastructure, supporting public-private procurement and distribution partnerships, increasing demand for inputs by helping farmers to increase their knowledge and skills, and promoting complementary practices such as irrigation and soil improvement.⁸⁹

Subsidies are an expensive instrument, diverting scarce public funds away from other potentially valuable uses. In Zambia, 37% of the public budget for agriculture in the 2004/2005 fiscal years was allocated for fertiliser subsidies. A disproportionate share of this expenditure went to comparatively large-scale farmers, while spending declined in other areas with potential to raise agricultural productivity, such as research and development.⁹⁰ Subsidies also displace commercial purchases, often to a significant degree. Such displacement undermines private-sector viability and transfers scarce government funds to

comparatively less poor farmers. Partial subsidies, implemented through means such as vouchers, can limit these negative side effects.

While user subsidies can in principle be used to stimulate markets, both political economy principles and actual experience suggest that once in place, they are often hard to end, as small groups of beneficiaries (the product or service providers) will lobby for their maintenance and expansion. Therefore, the creation of a credible, time-limited exit strategy is critical. 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. A firm exit strategy also helps control programme costs.

Critical partner roles

- CSOs can help in implementing the subsidies, through awareness-raising or other such activities.
- Research institutes can provide support in defining and identifying the target group. Research institutes also help with monitoring and evaluation.

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Vocational Education Voucher Delivery and Labor Market Returns: A Randomized Evaluation Among Kenyan Youth.

Report for Spanish Impact Evaluation Fund (SIEF) Phase II. Washington, D.C.: World Bank Group.

Nicholas Minot and Todd Benson (2009). **Fertilizer Subsidies in Africa – Are Vouchers the Answer?**

IFPRI Issue Brief 60 July 2009.

World Bank (2009). **World Development Report 2008: New Approaches to Input Subsidies Brief.**

Washington, D.C.: World Bank Group.

⁸⁹ World Bank (2008). World Development Report 2008. New Approaches to Input Subsidies Brief. Washington, D.C.: World Bank Group.

⁹⁰ World Bank (2008). World Development Report 2008.

POLICY EXAMPLE

Voucher scheme for mosquito nets in Tanzania

In Tanzania, hospitals provide subsidised mosquito-net vouchers to expectant mothers. This incentive also draws women to prenatal care. Vouchers are marked with a unique barcode. Mothers can buy the net at any local retailer participating in the initiative. In exchange for the vouchers, retailers receive new nets for free, while keeping customer payments. In order to facilitate net and voucher tracking, the government commissioned a single company to produce the nets. This was the only company in Tanzania that at the time could produce insecticide-treated, long-lasting mosquito nets.

However, these well-intended decisions had undesirable consequences for the country's broader mosquito-net market. Nets were distributed by a CSO rather than through private-sector distribution channels. As a supplement to the voucher programme, more nets were handed out for free in order to achieve universal coverage. As a result, the market for nets has virtually dried up. All producers other than the manufacturing company used in the subsidy programme have gone out of business. This case shows that simultaneously providing subsidies and strengthening market structures can prove very challenging.



CSO members distributing mosquito nets provided by the voucher scheme to a family in a Tanzanian village

Source: Christina Gradl (2013). Sumitomo Chemicals.

Photo: ©Sullivan Foundation

INSTRUMENT
PROFILE

Insurance schemes

TYPE
INFORMATION
RULES
FINANCIAL
RESOURCES

Government-supported insurance schemes can create platforms for companies to offer insurance services to poor households. They can also create markets for goods and services such as health care or agricultural inputs.


STRUCTURE
AND CAPACITY

People living in poverty are particularly vulnerable to risks in life such as illness, injury and death. Many poor people rely on subsistence agriculture and live in areas subject to natural disasters. This makes them prone to losses of housing, harvest, livestock and income.

Governments can also mandate insurance companies to include the poor. In India, a national regulation administered by the Insurance Regulatory and Development Authority (IRDA) obliges health and life insurers to expand coverage to low-income people.⁹²

Moreover, poor people are less able to cope with the financial burdens associated with illness, death and loss. As a result, poor people have a particular need for insurance. Formal risk-sharing mechanisms would enable them to invest more and to demand critical services. However, they are mostly ignored by commercial insurers because of their low and often unpredictable income. In addition, insurers are challenged by the absence of formal registration (of their identity and ownership) among potential insurance holders.

Implementation requirements

Awareness-raising and education about insurance plays an important role in empowering clients to make well-informed decisions. To that end, strong public administration must be in place at the national and local levels alike.

The creation of a clear definition of the eligible target group is vital, and costs for premiums have to reflect the clients' purchasing power.

As many potential customers are employed in the informal economy, adequate distribution channels must be in place to ensure access. Microfinance institutions, decentralised agent networks, cooperatives, women's associations, informal savings and credit groups and the like can be involved to ensure that customers are reached. The Kenyan agricultural microinsurance programme Kilimo Salama uses agricultural supply dealers to distribute insurance policies.⁹³

SEE POLICY
EXAMPLE

Governments can leverage their scale to provide risk-sharing mechanisms. They can take on the provider role themselves and provide fully or partially subsidised coverage for specific services. Alternately, they can involve private companies in the provision of insurance, with the government paying premiums. They can also do both. Agroasemex is Mexico's national insurance institution for risks in agribusiness. It provides reinsurance services to Mexican insurance institutions, mutual societies and insurance funds. It also furthers the participation of the private sector, for example, by designing new insurance schemes.⁹¹

⁹¹ www.agroasemex.gob.mx

⁹² The Gazette of India (2002). Insurance Regulatory and Development Authority (Obligations of Insurers to Rural Social Sectors) Regulations. New Delhi: Government of India Press.

⁹³ Gilberto M. Llanto, Maria Piedad Geron and Joselito Almario (2009). Making Insurance Markets Work for the Poor. Micro insurance Policy, Regulation and Supervision. Philippines case study. Manila: RIMANSI and the Philippine Institute for Development Studies

As with all insurance schemes, fraud and abuse are a challenge. Strong monitoring systems and transparent feedback systems for clients and providers can help alleviate this problem. Technical innovations like the “smart card” can also increase transparency and accountability. These microchip cards can serve both as identification and record-keeping mechanisms, and are an effective means of administering insurance schemes to customers. They are, for instance, implemented in the Indian health insurance scheme RSBY.

Insurance schemes can require the expenditure of substantial financial resources if they are to have a significant impact, which can overburden already strained budgets. Apart from the funds needed to subsidise

premiums and service provision, administrative costs for staffing requirements, information technology, awareness-raising, and evaluation and monitoring can mount up quickly. Involving public, private and civil society stakeholders in raising awareness, distributing and managing services, as well as research and development can help lower those costs.

Critical partner roles

- CSOs can support the scheme by engaging in awareness-raising activities and providing monitoring services, acting as “brokers” between insurance providers and customers.
- Companies administer the insurance, programme, or provide related services such as IT support.

FURTHER READING

World Health Organization (2010): **Administrative costs of health insurance schemes: Exploring the reasons for their variability.** Discussion paper Number 8. Geneva: WHO.

SEE RSBY CASE STUDY P. 70

POLICY EXAMPLE

Garantía Safra in Brazil



A small scale farmer clears a piece of land in the Amazon region of Brazil near Manaus.



Information banner for Garantía Safra insurance.

Garantía Safra fosters the development of the small-scale farming sector by providing crop insurance to family farmers producing basic crops (i.e., cotton, rice, beans, cassava and maize) in the north-east of Brazil. The compensatory insurance programme covers production losses exceeding 50% of a harvest due to natural events such as droughts and floods.

The programme is based on an institutional agreement between municipal, state and federal governments. Municipal governments collect premiums from the family farmers in the annual amount of BRL 6 (about €2). State governments provide technical assistance, supervise production and certify losses. The federal government, through its Programa Nacional de Fortalecimento da Agricultura Familiar (PRONAF), pays compensation settlements in cases of loss.

An amount corresponding to approximately half the monthly minimum wage in Brazil is paid out in the event of damages. The benefit is paid in cash, in six instalments over a period of six months.

Since 2004, Garantía Safra has assisted 500,000 family farmers with payments amounting to BRL 200 million per year. Recently, Garantía Safra has also introduced risk mitigation tools for smallholders who comply with agro-ecological zoning restrictions and technical recommendations regarding sustainable cropping.

Sources: GIZ (2010): Scoping Mission for an Agricultural Insurance Feasibility Study in Brazil (Amazônia and Mata Atlântica). Berlin: GIZ, The International Fund for Agricultural Development, The Federative Republic of Brazil, State of Paraíba (2009). Cariri and Seridó Sustainable Development Project, (PROCASE), Project Design Completion Report. Brasília: Government of Brazil.

Left photo: © 2011 The World Bank Group / Julio Pantoja, right photo: 2011 DEUSDETH MAURICIO

Chapter 5

Polycymaking for inclusive business

Policymaking intended to support inclusive business model development is **a process of consultation, negotiation and collaboration** that involves all relevant stakeholders in implementing solutions that fit the local context and adequately represent a variety of interests.

This chapter introduces the **collaborative governance approach** and examines **strategies** and **success factors** for inclusive business policymaking.



The policymaking process: Four case studies

In an attempt to better understand the process of designing policies to support inclusive business models, four concrete policy examples from Colombia, India, Kenya and Morocco were investigated in depth. The aim of the research was to explore how policies are developed and integrated into the larger policy landscape, and to identify factors that appear particularly crucial for success in implementation. Lessons from these case studies have informed this chapter.

The four case studies, described on pages 70–85, were selected because they apply different approaches, manifest different inclusive business policy instruments, and represent a diversity of political contexts and regions.

India: The Rashtriya Swasthya Bima Yojana (RSBY) national health insurance scheme is one of the largest government programmes aimed at providing access to health for poor people. Taking the form of a public-private partnership, it is helping to strengthen the national insurance sector and improve India's health care ecosystem.

→ P. 70

Kenya: The Financial Sector Deepening Initiative (FSD) is a multi-level, multi-actor financial-sector development programme aimed at expanding access to financial services among lower-income households and smaller enterprises in Kenya. One of its core components, the SACCO Societies Act (which regulated previously unregulated savings and credit cooperative societies), formalises companies so as to enable them to participate in broader markets more easily.

↙ P. 74

Morocco: The National Initiative for Human Development (NIHD) is a comprehensive development programme targeting social progress and human development. Within the programme, local companies are encouraged to set up inclusive business models to satisfy the basic needs of Morocco's most vulnerable groups and poorest people.

→ P. 78

Colombia: Institutional reforms led to the creation of the Zones Free of Extreme Poverty (Zonas Libres de Pobreza, ZOLIP) programme, which adopts a geographic approach to poverty alleviation. The programme promotes inclusive business activities by actively working to involve companies in partnerships that empower families to participate in the companies' value chains.

↘ P. 82

The policy cycle

Using the policy-cycle concept as a guide, each case describes the relevant policy instrument as applied in the specific country context, identifies the stakeholders involved and affected, and details the effects observable thus far.

The policy cycle is a model widely used to conceptualise the policymaking process. Four important stages emerge in this process (see figure 7):

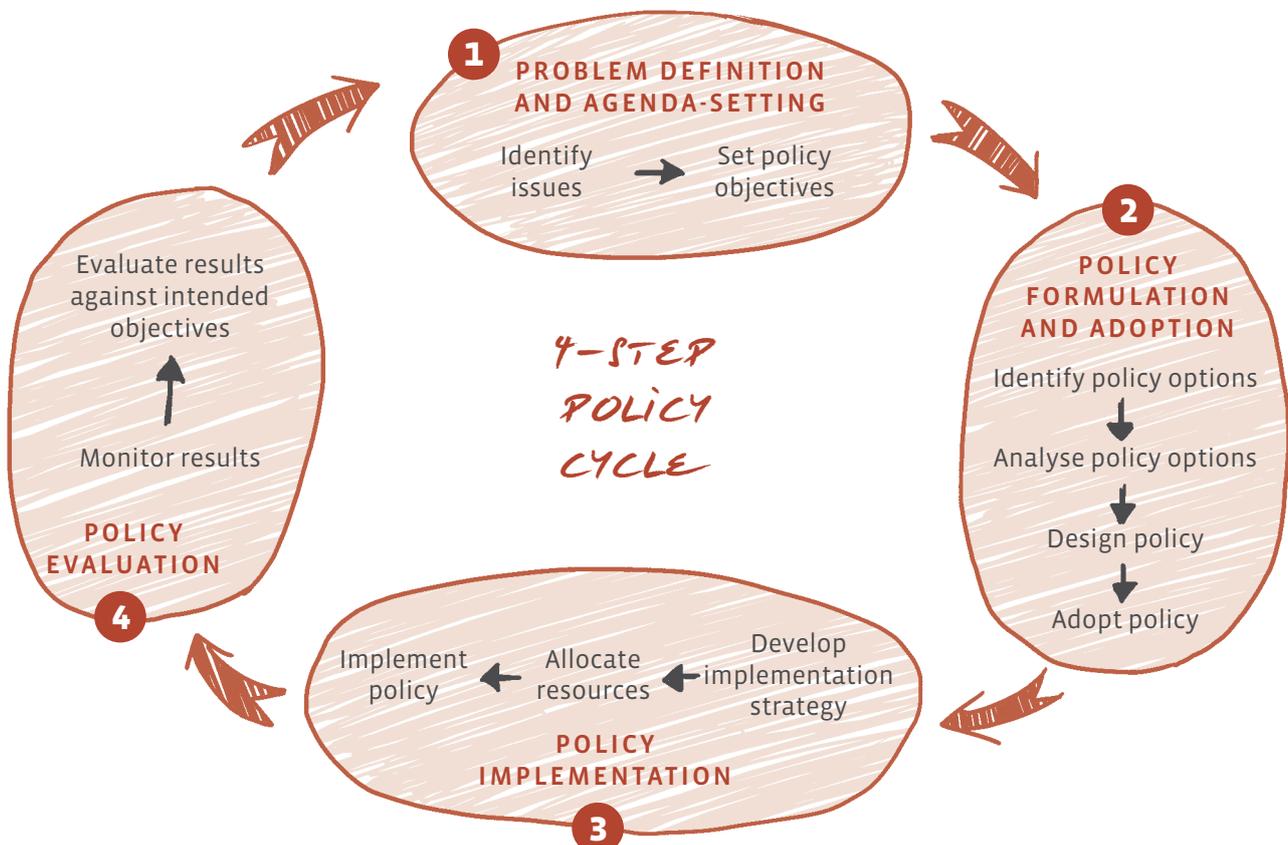
- **Problem definition and agenda-setting:** Problems are identified and examined in a process of research and analysis, and possible solutions are explored. Relevant issues are discussed with the public and decision-makers, and policy objectives are set.
- **Policy formulation and adoption:** Policy options are identified through consultation and negotiation, and analysed in further detail. Policies are designed and ultimately formally adopted, either through the creation of new policies or through the amendment of existing ones.

- **Implementation:** An implementation strategy is developed that must include the allocation of funds and human resources. The policy is put into effect by the government alone or in partnership with others.
- **Evaluation:** Both during and after implementation, policies are monitored and evaluated to identify both intended and unintended effects. Findings are used to adapt existing policies or to inform new phases of policymaking until the desired outcome is achieved.

In following this policy-cycle structure, each of these case studies offers:

- A brief summary of the instrument and its development.
- A description of the instrument’s policymaking process, along each stage of the policy cycle. This includes a look at how the success factors identified as crucial across the four case studies have been implemented at each relevant stage.
- A concrete example of a company illustrating how the policy has either enabled or encouraged inclusive business models.

Figure 7: 4-step policy cycle⁹⁴



94 Adapted from Charles E. Lindblom and Edward J. Woodhouse (1993). The Policymaking Process. Upper Saddle River, NJ: Prentice Hall.

Collaborative governance

One of the key lessons from the four case studies is that policymaking designed to support inclusive business models requires collaborative governance throughout the various policy-cycle stages. In recent decades, collaborative governance has emerged as a new form of policymaking able to respond to public problems of growing complexity, which require efforts in response beyond those any single societal sector can achieve on its own.

Collaborative governance can be defined as “a governing arrangement where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus-oriented and deliberative, and that aims to make or implement public policy or manage public programmes”.⁹⁵ Moreover, collaborative governance includes non-state actors directly in the delivery of public goods by exploring new types of interactions, on the local, national and even global levels. It builds on the idea that joining efforts across sectors can lead to more lasting and efficient solutions in areas of concern to governments, companies and civil society alike.⁹⁶

It comes as little surprise that collaborative governance should be a defining factor for inclusive business. First, policymakers often lack reliable information about low-income markets, industry sectors and the needs of poor people. The expertise of all relevant stakeholders has therefore to be taken into account in order to find appropriate solutions. Second, inclusive business policies often transcend established boundaries between departments and economic sectors, and therefore require collaboration and negotiation among a variety of stakeholders both inside and outside government. Third, inclusive business policies aim to make a difference in poor communities where functional governance structures are often lacking and market conditions are challenging. If these difficulties are to be overcome, all relevant partners must join forces.

By engaging in collaborative governance processes, all relevant stakeholders can contribute their specific capabilities to make inclusive business policies successful. In fact, each actor of the “ecosystem” of inclusive business has a role to play. For example, companies and business associations have the expertise to develop inclusive business models within their own sectors, and are familiar with the specific challenges posed by work in low-income markets. They can offer technical advice on the design of policies so as to encourage and enable inclusive business models most efficiently. CSOs and poor people know best what products and services they need, and can thus provide information on which skills and capacities will empower them to engage with companies. Governments and donors can provide funding and muster the expertise and resources of business and civil society behind public goals, while government is the only legitimate actor able to put policies into effect.

Clearly, involving non-state actors in policymaking can be a sensitive issue. Business involvement in the policymaking process can be associated with rent-seeking and corruption, particularly in comparatively less developed countries. In order to avoid abuse, governments must ensure accountability and maintain transparency and equity throughout the process.

SEE
BOX
ON
THE
RIGHT

SEE ACTOR
PROFILES
ON P. 21

⁹⁵ Chris Ansell and Alison Gash (2007). Collaborative Governance in Theory and Practice. In *Journal of Public Administration, Research and Theory* (18) 4: 543–571.

⁹⁶ Jane Nelson (2008). *CSR and Public Policy, New Forms of Engagement between Business and Government*. Boston: JFK School of Government, Harvard University.

Modes of collaborative governance

Collaborative Governance can have different forms. Consultation and negotiation can be initiated either by the government or by the private sector itself. Moreover, the implementation of inclusive business policies can take place through jointly led partnerships that also involve donors and CSOs.

Government-led interaction

Government engages the private sector to obtain input and feedback for the policymaking process and to enhance the conditions for implementation by bringing relevant stakeholders on board early in the process.

Public-private dialogues (PPD) are structured, time-limited processes through which governments and the private sector can review the business environment, tackle market constraints and find joint solutions. PPDs often take place in partnership with local governments, business associations and donors. In recent years, PPDs have become widely recognised by governments in developing countries as an essential step in making business and investment-climate reforms.

Consultative bodies engage the private sector in policy development on a continuing basis. Such bodies include committees, councils or networks focusing on specific industry sectors or business topics. Companies participate in consultative bodies mainly through their business associations or through issue networks, although in some cases also on an individual basis.

Business-led interaction

The private sector approaches government in order to bring policy-related issues and solutions to the table and to garner support for the implementation of activities that relate to greater social objectives.

Collective engagement brings companies from one or more sectors together to offer advice and information to the government. Companies can organise collective engagement through business associations, industry networks or issue platforms. Collective engagement is often pursued when companies lack a legal basis for their business activities, or where they face regulatory constraints in developing their business models further.

Individual engagement can be an effective strategy for an entrepreneur or company that wants the government to respond to a specific concern. For example, a company may encourage the government to provide public goods or services that will facilitate the success of its business model in a particular location, such as better roads enabling the company to access its target group. In some cases, individual public-policy engagement by entrepreneurs and companies can change the business environment for other companies as well, creating entirely new markets.

Jointly led interaction

Relevant stakeholders engage in a joint process to solve common issues by combining their complementary capabilities.

Development partnerships are short- to medium-term cooperation agreements between public agencies, companies and CSOs focused on achieving a concrete development goal. Ideally, these partnerships create business opportunities while promoting development by combining public-sector outreach and capacities with business entrepreneurship and resources. In these partnerships, the public partner is either a development organisation or a government agency in the target country.

Multi-stakeholder initiatives are strategic alliances between multiple actors from the public sector, the private sector and civil society, intended to facilitate cooperation on complex development issues over a relatively long time frame (e.g., on issues such as fair trade or climate change). These initiatives often establish new social or environmental norms or standards in specific industrial sectors by combining the expertise and resources of all stakeholders involved.

** SEE PROFILE ON
DEVELOPMENT PARTNERSHIPS
ON PAGE 46*

Sources: Adapted from BMZ (2011). Forms of Development Cooperation Involving the Private Sector. Berlin: BMZ; www.publicprivatedialogue.org/

Success factors for inclusive business policies

A number of factors are crucial to the success of policies intended to facilitate inclusive business models. In particular, policymakers must take account of four success factors that facilitate collaboration throughout the policymaking process and ultimately enhance the impact of inclusive business policies.

- **Dialogue** This grounds collaboration in a mutual, ongoing exchange of information and views, and is thus necessary to keep all partners engaged.
- **Political entrepreneurship** is needed to overcome established institutional boundaries and find innovative solutions.
- **Alignment** is needed to embed new policies within a larger vision, and to fit them smoothly into the given landscape of actors and operational paradigms.
- **Practical evidence** is needed to transcend the limitations imposed by specific, often deeply ingrained worldviews, as well as to ground policymaking in objective and sound facts.

These success factors have been derived from the four in-depth case studies detailed on the following pages. These themes reappear across cases and at different stages of the policymaking process.

Dialogue

Policymaking intended to support inclusive business models first of all requires dialogue among all actors involved. Indeed, open and honest dialogue is the essence of collaborative governance, and must underpin the entire policymaking process.

Dialogue among all relevant public agencies is particularly critical to ensure that any new policy gains internal support and can be effectively embedded within existing policy frameworks. Since the issues raised by inclusive business models typically fall within the domain of multiple departments simultaneously, **several ministries must work together** to design and implement the policy.

In **Kenya**, the Ministry of Cooperative Development and Marketing created a government task force involving all relevant public agencies to design the SACCO Societies Act, one of the core components of the Financial Sector Deepening Programme (FSD). This broad-ranging public involvement from the early stages was a critical factor in winning overall government support, and in gaining the broad-based consensus needed to establish the act.

Governments can also **create forums for dialogue and consultation with the target group**, including PPDs and consultative bodies.

In **Colombia**, companies that participate on the ZOLIP steering committees can nominate a territory for inclusion in the government-led ZOLIP programme, which aims to reduce poverty through the involvement of the private sector. Companies can thus elect to work in the region where they are best able to contribute their capacities and expertise.

Dialogue with the target group does not always have to take place in formal settings. Indeed, case studies show that most dialogue and consultation takes place on an **individual or informal basis**.

In **India**, the government has informally involved CSOs and community associations in the development of its RSBY national health insurance scheme. These organisations communicate the needs of specific, often unorganised groups, and play a critical role in helping to spread awareness of the programme's benefits.

One efficient way to organise dialogue in a transparent and accountable manner is through the creation of a **neutral facilitator** that brings all relevant stakeholders together and facilitates discussion and consultation.

In **Kenya**, the FSD acts as an independent facilitator supporting all actors within the country's financial system. It engages in research, produces advice and recommendations, coordinates sectoral activities, and informally offers intermediary services between various parties when needed.

In order to approach companies productively and enable fruitful interaction, policymakers must find a common language. The **use of business language and business tools** can help policymakers draw attention and overcome language and cultural barriers.

In **Morocco**, the NIHD explicitly encourages companies, co-operatives and CSOs to submit business plans and feasibility studies for inclusive business models in rural areas, and supports them in doing so. This has helped increase participation by local entrepreneurs in the initiative, while calling attention to the idea of inclusive business more broadly.

Political entrepreneurship

Developing inclusive business policies requires policymakers to adopt entrepreneurial thinking in creating new regulatory frameworks that cut across established boundaries and government departments. For example, the issue of mobile money has regulatory implications in both the financial and ICT sectors. Similarly, improving access to health care for informal-sector workers requires the involvement of both the health and labour departments.

Policy entrepreneurs have the ability to develop, implement and drive policy innovations that respond to the boundary-spanning approach of inclusive business models, bringing all relevant players together. Rather than following predefined paths, they devise and implement policies in much the same way that private-sector entrepreneurs develop a new business. To this end, they must be able to explore new solutions through the use of pilot projects, **start small and expand** when solutions have been tested and found successful, and use variation and adaptation to allow for **trial-and-error-based** learning along the process.

The implementation of the SACCO Societies Act in **Kenya** followed a step-by-step process, since the act required the creation of a completely new agency, with wholly new structures and tasks. In order to bring the agency to full operation, and to win recognition from the target group, the government had to adopt a learning approach by first building its own capacities and skills and then raising awareness among the targeted savings institutions.

Policy entrepreneurs must also react to contextual circumstances in a timely manner, **seizing the right moment** to endorse an issue and put it into effect.

The new and powerful state Sector for Social Inclusion and Reconciliation, which is tasked with guiding and implementing the ZOLIP programme in **Colombia**, was created after current President Juan Manuel Santos came to power in 2011. In his inauguration speech, Santos announced far-reaching institutional reforms aimed at driving post-conflict poverty reduction; these have played a critical role in paving the way for the new state sector.

*SEE PROFILE
ON P. 34

As in business settings, **new technologies** can open up new opportunities for policymaking. “Smart” technologies can serve as important vehicles in delivering public services to low-income people, while offering solutions tailored to their needs (i.e., subsidies and vouchers). New technologies can also support governments in assessing the impact of policies and gathering market data.

In **India**, the RSBY national health insurance scheme offers health care to poor people through the use of a smart-card technology. The use of smart cards has efficiently helped the scheme reach a scale where it today delivers health care to millions of people.

The government is able to monitor the card usage on an ongoing basis, thereby generating important health data on the target group, which in turn helps to adapt the scheme to their needs further.

Finally, policy entrepreneurs can **reshape the outlook** of the actors they work with, thereby opening up new opportunities for inclusive growth. Since they enable and encourage companies to perceive the low-income market as an opportunity, and empower low-income people to participate in companies’ value chains, they help change the overall perception of the poor.

In **Morocco**, a country typically characterised by top-down and centralised policymaking, the NIHD’s participatory approach has helped change the perception of the poor in important ways. Since the initiative aims to empower the poorest and most vulnerable groups in order to gain access to basic services and needs, companies are increasingly approaching these communities as clients rather than as indigents.

Alignment

If inclusive business policies are to be implemented successfully and sustained over time, they must be embedded into the larger policy landscape, and clear incentives must be provided to all partners involved.

Alignment first of all requires that any new policies are consonant with broadly shared visions regarding social development and the role of the private sector in this task. **Overarching policy frameworks*** such as poverty-reduction strategies or national development plans define broad government visions and help establish priorities for action. Policymakers must therefore align policies with such frameworks and identify the right partners in order to ensure long-term commitment. Overarching policy frameworks can also create the momentum needed to address specific issues, or to link policies with other interventions driven by the same vision.

Kenya’s FSD, for example, is informed and guided by the government’s Vision 2030 document, which defines a long-term strategy for the country’s economic development. Aligning FSD with the overall goals of Vision 2030 has helped place the programme high on the government’s agenda, and facilitated links with other policies aimed at strengthening access to finance.

In order to ensure that all partners work towards joint goals and visions, **policymakers must offer clear incentives**. Aligning the interests of all involved parties guarantees long-term commitment and ensures that policies create business opportunities while achieving development goals. Development partnerships, for example, are an efficient means of implementing inclusive business policies as they combine the interests and competencies of public and private partners in pursuit of a shared set of development goals.

India’s RSBY national health insurance scheme, for example, builds on a public-private partnership that combines the interests of public and private-sector organisations, as well as donors and CSOs, in the provision of health care. By offering clear business opportunities to insurance companies and private hospitals, it helps bring health care services to poor people in India and simultaneously drives market competition.

SEE INSTRUMENT
"DEVELOPMENT
PARTNERSHIPS"
ON P. 46

Policymakers must also make sure that **clear implementation responsibilities** are in place. Sometimes, this will require that a new unit or administrative body be established. In addition, the character of interaction with and the responsibilities of other administrative units will have to be clearly defined in order to avoid inefficiencies.

In **Morocco**, a special unit has been created to operationalise and administer the activities of the NIHD. This unit, called the National Coordination of the NIHD, is associated with the Ministry of Interior and is responsible for coordinating all partners in the process as well as for periodic evaluations.

Practical evidence

As inclusive business policies span established boundaries, they are often associated with both complexity and uncertainty. More importantly, since inclusive business policies must be constructed on a foundation common to all partners involved, policymaking must be grounded in practical evidence and objective facts so as to transcend differences between participants' worldviews and avoid ideological debates.

To maximise the impact of the policy and reduce unintended effects, policymakers must be able to design policies based on **sound information about the actual situation of the target group**. Gathering data on the needs, constraints, capacities and perceptions of poor people can even help bring new issues onto the government agenda. To gather relevant data, policymakers can directly interview members of the target group, for example through surveys or field visits. Policymakers can also consult CSOs or other organisations representing the group's interests.

The process of creating the SACCO Societies Act in **Kenya** was strongly informed by the national FinAccess household surveys, which provide information about the state of financial inclusion and its geographic or socio-economic barriers. Indeed, the results of the first FinAccess survey actually helped put the issue of new regulation for SACCOs on the political agenda in the first place.

Policymakers must also be able to **measure the effects** of the policy, thus allowing for an objective analysis of results that enables correction and adaptation over time. Monitoring and evaluation, conducted ideally with external reviewers, allows policymakers to deepen stakeholders' engagement and build broad-based support for new policies.

In **Morocco**, regular NIHD evaluations by the government, private actors and international donors during the implementation process helped all stakeholders understand the programme's impact in terms of sparking collaborative development processes. Lessons learned in the initial phases informed the second phase of the programme, helping policymakers adapt the programme to meet its intended goals.

Lastly, policymakers can help make inclusive business policies more effective and simpler to implement by **learning from the experience of others**. Policymakers have facilitated peer-to-peer or South-South exchanges, as well as other approaches, thereby enabling learning processes.

When designing **India's** RSBY programme, a number of different public agencies met to share experiences with former insurance schemes and discuss potential solutions. Government officials also visited other countries to learn from similar initiatives and identify success factors. The information gathered in this process helped to establish the RSBY on a foundation of solid information, and was crucial in attracting early support from all public players.

**SEE INSTRUMENT "DATA AND RESEARCH" ON P. 28*

Strategies for coordinating diverse actors

Successful policymaking for inclusive business requires the coordination of multiple stakeholders throughout the process. Moreover, since policies are developed and implemented over years, this coordination needs to be sustained over time. How do policymakers deal with this challenge? The four cases studied here have taken four different strategies. These strategies focus the attention of diverse actors on a geographic area, a product, an independent facilitator or a participatory process. In addition, a guiding vision helps to focus stakeholders' attention.

Geographic focus: Poverty is also a geographic phenomenon. Where the focus is put on a certain locality, relevant actors and issues can be easily identified and solutions can be co-created based on the local context and opportunities.

In **Colombia**, the ZOLIP programme adopts a geographic approach to create focal points for private-sector contributions to poverty alleviation. The government defines poverty-free zones and establishes committees that bring public and private actors together in building the capacities of poor families within these zones to participate in markets.

Product platform: Focusing attention on a product that requires the capacities of diverse actors to be implemented creates a platform for collaboration with a focus on clearly defined end results.

India's RSBY national health insurance scheme brings together public and private actors by establishing a product platform intended to improve access to health care for poor people. The partnership combines the resources and expertise of government, companies and CSOs by offering direct business opportunities and achieving development goals.

Independent facilitator: Focusing on a single actor centralises communication streams and makes it easier for central facilitators to monitor the broader activities and interests of different stakeholders while ensuring they are aligned with the shared objective. It also reduces communication costs for all the other stakeholders.

As an independent facilitator, **Kenya's** FSD takes a partnership approach to providing the information and linkages needed by companies or organisations receiving assistance through the programme.

Participatory process: Providing a standard process for participation, either on the local or higher levels, enables the relevant players to feed in their input and co-develop solutions.

In **Morocco**, the NIHD builds on the institutionalisation of local-level collaboration processes that bring all relevant stakeholders together to improve the situation of the rural poor. Local planning committees systemise collaboration between public, private and civil society actors, and coordinate joint actions over the course of years.

Photo: ©Competition Nairobi 2030 Metropolitan Master Plan Board



Kenya's Vision 2030 is a long-term visionary framework that guides a broad range of complementary government programmes and flagship projects

A guiding vision

To be sure, these examples show that all such strategies are highly **context-dependent**. Each government must find its own way of organising collaboration in support of inclusive business policies, taking a variety of political, historical and societal conditions into account.

Strategies can be even more effective when they build on an **overarching development vision**. Cases show that overarching policy frameworks have guided the policymaking process in all four countries. These frameworks help define broader policy objectives and give direction to all societal stakeholders. In **Kenya**, Vision 2030 envisions the country as a developed society without poverty. In **Morocco**, local communities are put at the heart of rural development activities. In **Colombia**, the pursuit of social prosperity and reconciliation drives post-conflict social action. And in **India**, the national five-year plans promote private-sector involvement in social and economic development activities.

These overarching policy frameworks can act as strong coordinating forces, bringing all relevant societal actors together and defining the roles they can play in contributing to shared visions. Where the private sector is not recognised as a critical actor in achieving development goals, private-sector contributions will not be facilitated or accepted. By contrast, policy frameworks that open doors to private-sector participation can inspire companies to rethink the way they do business and what they aim to achieve.

Developing these visions goes beyond the particular scope of policymaking for inclusive business. However, policymakers can use these overarching guidelines to create the right spirit for inclusive business policymaking, and to coordinate action once policies are in place.



SEE INSTRUMENT
"OVERARCHING POLICY FRAMEWORKS"
ON P. 34



CASE STUDY ON RASHTRIYA SWASTHYA BIMA YOJANA (RSBY) IN INDIA

A product platform to improve access to health



APPROACH:
Empowering



TYPE:
Financial resources

INSTRUMENT:
End-user insurance scheme

TARGET GROUP:
Poor households

KEY PUBLIC ACTOR:
Ministry of Labour and Employment

ACTORS INVOLVED:
State governments, insurance companies, public and private hospitals, third-party administrator, CSOs, donors

START: 2008

Policy in brief

Rashtriya Swasthya Bima Yojana (RSBY), Hindi for 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 health care 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 €355) per year for diseases that require hospitalisations, it provides poor people a critical means of protection from financial overburdens related to unexpected health events. 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 programme's first five years of operation – enrolment rates of around 55% and 5.65 million supported hospitalisation cases – demonstrate the model's success.

Problem definition and agenda-setting

Despite India's astonishing economic development in recent decades, poverty remains widespread, with the nation home to a third of the world's poor. In 2010, the World Bank reported that 32.7% of India's 1.2 billion citizens fall below the international poverty line of US\$1.25 per day (PPP), while 68.7% live on less than US\$2 per day.⁹⁷ The incidence of poverty is highest in rural India, where the majority of Indians live.

A major cause of poverty in India is a lack of access to affordable and high-quality health care. Though state hospitals are supposed to provide free, universal health care, people nevertheless continue to pay considerable out-of-pocket amounts for treatment, often due to corruption. As a result, many poor people

take loans or sell their property to cover medical treatment, which drives them further into the health-based poverty trap. In fact, between 2004 and 2005, 39 million Indians were pushed into poverty due to out-of-pocket health care payments.⁹⁸

Health insurance covers only a small percentage of Indians. Common social security schemes are restricted to the formal sector. However, 94% of India's workforce – more than 400 million people – works informally.⁹⁹ The majority of these individuals – day workers, farmers, rickshaw drivers, street vendors, domestic workers – can ill afford to take out a private health insurance policy. Knowing this, private insurance companies did not in the past regard poor people as a market. As a result, private hospitals do little to cater to poor people, while services in public hospitals are often substandard, as patients are perceived as a burden on budgets rather than as clients.

Recognising these issues, the Indian government realised that a much broader approach is needed to provide free and quality health care to poor people across the country. As a consequence, on 15 August 2007, the 60th anniversary of India's independence, Prime Minister Manmohan Singh announced in his address to the nation the creation of a national health insurance scheme.¹⁰⁰

Policy formulation and adoption

In October 2007, Prime Minister Singh formally introduced the creation of the RSBY. The programme aims to provide health care to India's poorest people by giving them the purchasing power to choose between public and private hospitals.

⁹⁸ Rema Nagarajan (10 January 2010). Costly healthcare pushes 39m into poverty. New Delhi: Times of India.

⁹⁹ BMZ (2012). Health Insurance for India's poor. Berlin: BMZ.

¹⁰⁰ M. Ramo Rao (18 August 2007). Manmohan Singh offers a new deal to Indian farmer and common man. Colombo: Asian Tribune.

* SEIZE THE RIGHT MOMENT

CLEAR IMPLEMENTATION RESPONSIBILITY

The Ministry of Labour and Employment (MoLE) was given primary responsibility for the design and implementation of this scheme. The decision to give MoLE a lead role contributed to the successful design of the scheme. As MoLE deals with all issues related to the welfare of the unorganised-labour sector, it knew how to adapt the scheme to the needs of the target group. Moreover, MoLE General Director Anil Swarup (2006–2013) was the figure who pioneered the RSBY idea within the Indian government in its early stages, against the resistance of other departments. His entrepreneurial spirit, combined with a social vision, was a driving force in the RSBY design process.

This design process involved multiple actors, and was informed by empirical research. Government agencies, among them the Ministry of Health and Family Welfare (MoHFW), provided expertise and ensured that the new programme would be aligned with other policies. Insurance companies were consulted on the market potential of RSBY, while the World Bank and GIZ offered technical advice. Moreover, experiences with previous health insurance schemes were analysed for potential lessons, successful insurance models from other countries were reviewed, and data on the health needs of the Indian poor were taken into account.

Once the design process was concluded, the government embedded the RSBY in India's 11th Five-Year Plan (2007–2012).¹⁰¹ This plan set a goal of covering all 60 million unorganised-sector workers and their families (an average of five people) under RSBY by the end of 2012. All families of unorganised workers registered on the government's list of those below the poverty line are eligible for RSBY. The scheme covers health costs up to INR 30,000 (around €350) for diseases that require hospitalisation. A public budget of INR 70.78 billion (approximately €900 million) was allocated for the first five-year roll-out phase.¹⁰²

Implementation

Roll-out of RSBY began in April 2008. The implementation and fast spread of the scheme was driven mainly by two particu-

lar features: First, the use of new technologies that made the scheme easily available to the poor; and second, a public-private partnership model that offered incentives to each stakeholder involved.

At the core of RSBY's delivery mechanism is the use of an innovative biometric smart-card technology issued to all families that enrol under the scheme. The card carries the photograph and fingerprints of the family head and up to four other members, and is issued on spot during the enrolment process. The card is charged with INR 30,000 that can be used for inpatient care at any Indian hospital participating in the scheme. Transportation costs of up to INR 1,000 per year are also covered. Utilisation of the card is completely cash- and paperless. Beneficiaries pay INR 30 per annum for card registration or renewal, the only financial contribution they have to make in the scheme.

The central government, under MoLE's leadership, provides the majority of funding, covering 75% of the insurance premiums, as well as top-down guidance.¹⁰³ It administers the scheme through a defined set of guidelines and standardised procedures that utilise customised IT software.

To participate in RSBY, states must contribute 25% of premium costs in the state and create an independent body called a state nodal agency (SNA). This helps to ensure buy-in from state governments, which are also responsible for administrative costs, among other tasks. SNAs are responsible for raising awareness among potential beneficiaries, and recruit field officers tasked with ensuring proper verification and enrolment of beneficiaries. SNAs also contract with insurance companies through a public tender process to manage the scheme for a period of up to three years.¹⁰⁴

Insurers also act to raise awareness of RSBY's offers, and enrol beneficiaries at the village level. As they receive premium payments based on the number of enrolled families, they have an incentive to recruit as many people as possible. Insurers are

NEW TECHNOLOGY!

LEARNING FROM OTHERS

**OVERARCHING POLICY FRAMEWORK

CLEAR RESPONSIBILITY

¹⁰¹ See www.planningcommission.nic.in

¹⁰² Government of India, Planning Commission (2007). 11th Five Year Plan 2007–2012, Volume II Social Sector.

¹⁰³ In Jammu, Kashmir and the north-eastern states of India, the ratio of central government to state government funding is 90:10.

¹⁰⁴ Initially, the contract period was restricted to one year, but this was later extended.

MEASURING EFFECTS

CLEAR INCENTIVES

also responsible for bringing hospitals into the programme and monitoring them once participating, just as they are responsible for properly managing claims. In addition, they are provided with support from accredited third-party administrators, smart-card providers and IT businesses.

Any hospital participating in the RSBY scheme offers inpatient treatment for up to INR 30,000 free of cost to enrolled families. Treatment is charged to the insurance companies according to pre-defined package rates. As beneficiaries can choose which hospital to access, both public and private hospitals are given incentives to bring in more patients by offering better care.

INFORMAL DIALOGUE

Civil society and development organisations have no formal role in the scheme, but offer important support nevertheless. CSOs help spread awareness of the scheme among specific target groups, and assess the impact of RSBY on them. International development organisations provide technical assistance, conduct in-depth evaluations, and facilitate the adaptation and further expansion of RSBY.¹⁰⁵

TRIAL AND ERROR!

During the roll-out of RSBY, the design of the scheme also had to be adapted. For example, government-set reimbursement rates had to be increased in order to cover hospital costs for treatment properly.¹⁰⁶ Due to a lack of knowledge and data on the target group, insurance companies had to first test the market waters, setting premiums based on rough estimates before they were able to make a proper assessment of risks. Maternity care had to be added to the list of treatment in order to better meet the needs of the female target group. The smart-card hardware had to be adapted for operability in field environments.

Evaluation

Empirical data and monitoring plays a crucial role in the continuous improvement of the RSBY scheme. Thanks to the

extensive use of technology, the government is able to obtain timely data on the use of the scheme, which helps detect anomalies and make adaptations as needed. In addition, external evaluation, field visits and patient surveys are conducted on a regular basis.

Thus far, evaluations have shown that RSBY has made remarkable gains, both in terms of providing access to health care and in improving India's overall health care ecosystem. At the present time, 35.35 million families are enrolled under RSBY. This means that an estimated 176.75 million people have access to health care through the programme. The scheme has been implemented in 460 districts across 28 states and union territories. A total of 15 insurance companies, 25,000 third-party administrators and more than 12,600 hospitals are involved. Around 5.65 million hospitalisation cases have been subsidised since the inception of the scheme in 2008.¹⁰⁷ Though the scheme has not yet reached its intended target of covering all below-poverty-line families within its first five years, RSBY has become one of the largest health insurance schemes in the world.

The impact of RSBY on the poor has been positive. First, out-of-pocket health care expenditures among this population are decreasing. Compared to non-enrolled families, who spent an average of INR 17,000 (€215) per year out of their own pockets, RSBY enables 90% of enrolled families to receive free access to the health care needed in the course of a year. An additional 10% had to contribute some of their own financial resources to obtain treatment.¹⁰⁸ Second, RSBY has generated greater demand for care from women, who have tended to neglect their health for financial reasons. Third, the scheme has increased beneficiaries' power of choice. Data shows that RSBY patients have increasingly been treated by private hospitals, at a higher rate than non-enrolled people.¹⁰⁹ RSBY is increasingly em-

¹⁰⁷ <http://rsby.gov.in/Overview.aspx>

¹⁰⁸ GIZ (2012). Evaluation of Implementation Process of Rashtriya Swasthya Bima Yojana in Select Districts of Bihar, Uttarakhand and Karnataka December 2012. Berlin: GIZ.

¹⁰⁹ GIZ (2012). Evaluation of Implementation Process of Rashtriya Swasthya Bima Yojana in Select Districts of Bihar, Uttarakhand and Karnataka December 2012. Berlin: GIZ.

¹⁰⁵ BMZ (2012). Health Insurance for India's poor. Berlin: BMZ.

¹⁰⁶ Interview Anil Swarup; BMZ (2012). Health Insurance for India's Poor. Berlin: BMZ.

powering poor people to receive treatment from private hospitals which they would otherwise not be able to afford.

ed microinsurance offers in India, including alternative insurance forms such as mutuals or self-help groups.

RSBY has also proven successful in promoting inclusive business activities. By setting clear incentives for all private partners involved, it makes poor people interesting clients within the health sector. Most insurance companies and hospitals participating in the scheme come from the private sector. Moreover, a broad range of third-party administrators, smart-card and IT providers have built business on RSBY. For these companies, RSBY offers a “high-volume opportunity” to approach India’s low-income market by sharing transaction costs with the government.

The rise of new business opportunities has also led to general improvement in India’s broader health care ecosystem. Private hospitals have expanded their capacities or built new facilities so as to offer more beds to RSBY clients – often in areas where medical infrastructure was previously lacking (see case study about Glocal Health Care). Public hospitals gain additional income, which can then be used to upgrade the often ill-equipped facilities and improve the education of unskilled medical staff. Moreover, the scheme has contributed to the spread of health-orient-

Despite these positive outcomes, RSBY still faces several challenges that threaten its longer-term sustainability and impact. First, below-poverty lists are often outdated and incomplete, leaving many poor households without access to the scheme. Second, many beneficiaries remain ill-informed with respect to their benefits and rights. Insurance companies have an incentive to sign people up, but not to make them use the scheme. In this case, state governments or participating hospitals need to do more to raise awareness. Third, fraud remains an issue. Patients need greater control over the money charged to their cards, and insurance companies need better monitoring systems.

Overall, RSBY is a big step forward in providing health insurance to the poor, demonstrating effective task-sharing between public- and private-sector actors. As a result of its success, the government has decided to extend RSBY to other groups, and link it to other social protection schemes.¹¹⁰

¹¹⁰ <http://urbanpoverty.intellecap.com/?p=972> <http://urbanpoverty.intellecap.com/?p=972>

SHAPE
OUTLOOK
OF THE
POOR
↓
SEE COMPANY
EXAMPLE!

COMPANY EXAMPLE: **Glocal HealthCare**

Improving access to health care in underserved regions

Photo: Glocal Healthcare Systems (P) Ltd. © 2013

Founded in 2010, Glocal Health Care is a joint publicly and privately owned health care provider. Encouraged by RSBY, Glocal has created a sustainable business model for inexpensive hospitals in rural India. The company provides comprehensive primary and secondary health care services in medically underserved areas. It has shown that it is possible to serve RSBY cardholders and still be profitable.

The Glocal team has created a standardised diagnosis and management protocol for 42 diseases that afflict 95% of the population. In Glocal’s hospitals, care is provided at a cost that is 40% to 50% lower than industry standards. Despite being so much cheaper, Glocal hospitals are breaking even in six to eight months, compared to the industry standard of two years.

Today, 45% of Glocal’s revenues come from RSBY patients, while the rest is from cash patients. Moreover, as Glocal builds clinics in rural India, where infrastructure costs are much lower, the chain can grow rapidly. After setting up five hospitals in poor areas, it plans to construct another 50 hospitals with 5,000 beds in the next 18 to 20 months. Overall, RSBY has been



The reception area at Sonamukhi Hospital, the first Glocal Health-Care hospital built in rural India to serve poor people.

of critical assistance in helping Glocal gain a prominent role: By 2013, the company’s hospitals had treated almost 125,000 RSBY patients and conducted almost 6,700 surgeries.

Sources: <http://ghspl.com/>; Interview with Sabahat Azim, CEO and founder of Glocal.



CASE STUDY ON THE FINANCIAL SECTOR DEEPENING INITIATIVE (FSD) IN KENYA

An independent facilitator for a more inclusive financial sector



APPROACH:
Empowering



TYPE:
Rules

INSTRUMENT:
Legal framework for market participation

TARGET GROUP:
Consumers, producers

KEY PUBLIC ACTOR:
Central Bank of Kenya

ACTORS INVOLVED:
Government agencies, private service providers, informal providers, development organisations

START: 2005

Policy in brief

Kenya's Financial Sector Deepening Initiative (FSD) is a multi-level, multi-actor financial-sector development programme aiming at expanding access to financial services among lower-income households and small enterprises in Kenya. The initiative mainly provides research and data; advice for policy, business and institutional development; and coordination among the sector's various relevant actors. As an independent facilitator, FSD takes a partnership approach and tailors its assistance to the specific needs of the company or organisation receiving assistance. Projects are developed in cross-sectoral teams, a model that creates an opportunity for dialogue and facilitates informal exchange. For example, its research helped put the formalisation of deposit taking savings and credit cooperatives (SACCOs) on the agenda. FSD also supported the development of the respective policy as well as its implementation.

Problem definition and agenda-setting

Kenya, though a low-income country,¹¹¹ is a centre of development and innovation, especially in the ICT and finance sectors. Following the post-election violence in 2007–2008, the country has recovered economically, stabilised politically, and witnessed a largely peaceful governmental transition in May 2013.

The overall long-term policy framework governing Kenya's economy and politics is encapsulated in the Vision 2030 plan. This national development plan was introduced in 2008 with the aim of transforming Kenya into a middle-income country by 2030. The Vision is implemented through high-level legislation such as the new constitution passed in 2010, as well as a range of flagship programmes addressing the country's most pressing societal issues. Vision 2030 recognises the

financial sector as a major driving force for national development, and conceives financial inclusion as vital in the production of inclusive growth.¹¹²

Kenya's financial sector can be broadly divided into regulated formal institutions, other formal enterprises and informal institutions. The regulated formal institutions are governed by financial legislation (e.g., commercial banks, deposit-taking microfinance institutions [MFIs] and deposit-taking SACCOs.) The other formal enterprises are simply registered under general law (e.g., unregulated MFIs, other SACCOs, mobile payment services). Informal institutions are unregistered (e.g., rotating savings and credit associations [ROSCAs], shopkeepers, money-lenders). However, the relative size of these sectors was previously unknown, as no systematic measurement system or instrument was in place.

In 2005, the FSD was created as an initiative by the United Kingdom's Department for International Development (DFID) with the aim of deepening financial access, particularly for low-income people and micro and small businesses.¹¹³ FSD supports all actors in the financial system – government agencies, private service providers, informal providers, etc. – through research, analysis, advice and the coordination of activities. It is itself a lean organisation, with only about 20 staff members, and works in cross-sectoral teams to implement its projects. It has a solid and extensive network of links to all relevant people in the country's financial sector and can easily inter-mediate between different parties on an informal basis.

OVERARCHING POLICY FRAMEWORK

* NEUTRAL FACILITATOR

** INFORMAL DIALOGUE

¹¹² Government of the Republic of Kenya (2007). Kenya Vision 2030.

¹¹³ Funding is provided in part by the Kenyan government and donor agencies such as DFID, SIDA, the Bill & Melinda Gates Foundation, the World Bank and AFD.

¹¹¹ World Bank (2011). World Development Indicators – Kenya. Washington, D.C.: World Bank Group.

In the same year, the Financial Access Partnership was created as a partnership between industry, government and research institutions. This partnership is managed by the Central Bank of Kenya along with FSD. Its first task was to generate reliable data on the financial sector. This was done via FinAccess, a national adaptation of the regional FinScope surveys.

FinAccess is a national household survey designed primarily to provide policymakers with information about the state of financial inclusion. Surveys serve both as an instrument for the evaluation of government policies and as an agenda-setting tool to identify emerging issues.¹¹⁴ They also point to business opportunities in underserved market segments. The surveys generate revenues, as the data is only fully accessible through payment of a fee.¹¹⁵ It is also envisaged that the private sector will over time become more involved in funding research, as it is the main beneficiary of the surveys aside from the government. So far, two private stakeholders, Equity Bank and Commercial Bank of Africa, have provided financial resources.

The first FinAccess survey was implemented in 2006. It clearly showed that most people with access to financial services were using non-regulated formal or informal services, in particular SACCOs. The survey revealed that SACCOs could no longer be regarded simply as negligibly small societies, and that some had in fact become financial institutions with significant assets. Seen in this light, their failure could well pose a risk to the whole economy. The survey thus put the regulation of SACCOs on the political agenda.

Policy formulation and adoption

Of Kenya's 12,000 to 13,000 cooperatives, some 5,000 provide financial services. SACCOs are formed by individuals to pool savings and lend to each other. They are very popular among middle- and low-income people unable to access traditional bank accounts due to high operating fees. About 215 SACCOs operate a front office service activity (FOSA), meaning quasi-banking ser-

vices at competitive rates with products such as savings and credit, demand deposit accounts, short-term advances, mobile banking and ATM transactions.¹¹⁶ But without clear regulation and close oversight, this is a high-risk activity; depositors and account holders risk losing their money if it is given out as loans to other members without proper management.

The responsible government authority for all cooperatives was the Ministry of Cooperative Development and Marketing (MoCDM). When SACCOs grew in size and began to offer more ambitious services, capacity gaps in governance and technological and financial management emerged. In the worst case, it was seen that these weaknesses could pose a systemic threat to the Kenyan economy at large. As these challenges could not be adequately addressed by existing legislation, policymakers and key stakeholders agreed that a specific SACCO law was needed. FSD supported the World Council of Credit Unions in carrying out an in-depth regulatory analysis among 148 SACCOs, which confirmed the need for new legislation. The analysis also established that the new regulatory framework should focus on SACCOs offering FOSA services.¹¹⁷

The SACCO Societies Act of 2008 regulates Kenya's rapidly growing SACCO sector. Though the act is relevant for the SACCO sector as a whole, its implementation has focused on SACCOs operating FOSAs due to the risks they face. It contains provisions to make the SACCOs offering banking services more efficient, secure and sustainable. On the other hand, it protects the shares and deposits of the (largely poor) customer base.

In designing the legislation, the minister responsible convened a taskforce comprised of staff from the relevant agencies, among others the MoCDM, the Central Bank, the Cooperatives Bank, the Kenya Rural Union of Savings Societies and the Kenya Union of Savings and Credit Cooperatives, with World Council of Credit Unions as lead consultant. The Council thus played an advisory role for the task-

INFORMATION ABOUT THE TARGET GROUP

FORUM FOR DIALOGUE AND CONSULTATION

¹¹⁴ Central Bank of Kenya (2009). *FinAccess National Survey. Dynamics of Kenya's changing financial landscape*. Nairobi: FSD Kenya.
¹¹⁵ FinAccess Secretariat (2010). *Policy on Usage of FinAccess Data Resources*. Nairobi: FSD Kenya.

¹¹⁶ This is the case as of December 2011. SASRA. (2011). *Sacco Supervision Report 2010 (Deposit Taking Saccos)*. Nairobi: The Saccos Societies Regulatory Authority.
¹¹⁷ FSD Kenya and World Council of Credit Unions (2007). *Newsletter of WOCCU/FSD SACCO CAP Project*. Nairobi: FSD Kenya.

START SMALL AND EXPAND

LEARN FROM OTHERS

force in formulating the draft bill. The early involvement of all relevant public- and private-sector actors made sure all stakeholders' needs were represented in this development process. Taskforce members also made visits to Canada and Brazil to learn from similar regulations.

Implementation

The main structural implication of the act was the establishment of a new institution, the SACCO Societies Regulatory Authority (SASRA). Its broad mandate includes licensing SACCOs that take deposits (licences were required as of June 2011), regulating these institutions, and assisting them in coming into compliance with all new regulation requirements by 2014. Moreover, it is responsible for the protection of member deposits.¹¹⁸ SASRA is a semi-autonomous government agency under the authority of the MoCDM.¹¹⁹ Two members of its core staff came from the committee that drafted the SACCOs Societies Act through competitive recruitment.

CLEAR RESPONSIBILITY

In order to obtain a licence, SACCOs must establish business premises, put an information-management system in place, and develop a comprehensive risk-management framework. They also have to pass a "fit and proper" test, provide a four-year business plan or feasibility study, and demonstrate minimum core capital of KES 10 million. They are given a four-year transition period to comply with the requirements. Licenced SACCOs have to establish audit and credit committees, and separate the responsibilities of the board and management. Reports have to be submitted to SASRA on a regular basis. A deposit guarantee fund is envisaged, to which SACCOs will contribute an annual fee.

BUSINESS LANGUAGE AND TOOLS

According to Peter Owira, Manager for SACCO Supervision at SASRA, one key challenge was simply "to get a physical agency up and running, as there was no similar organisation to learn from, since SACCOs in most countries are regulated by the central banks".

This was tackled through a flexible approach towards the institution's day-to-day business, and by attaching some staff to the Central Bank of Kenya to learn supervisory and regulatory skills. SASRA also developed a number of means to inform its key stakeholders about the new regulatory environment. It developed technical guides and templates, available for download at the institution's website, to assist SACCOs in implementation of the act. It also initiated a SACCO member education policy; members could participate in SASRA's meetings to learn about the new institution's role in improving SACCO governance.

The FSD assisted in the implementation of the new regulation. It helped to identify suitable staff for SASRA and supported the strategic planning process. It also facilitated a partnership with the Institute of Certified Public Accountants of Kenya to develop a reporting template for SACCOs.

Moreover, the FSD supported SACCOs directly by developing technical materials covering issues such as governance, planning and change management. It provided advice for strategic management of SACCOs during the transition period, support for due-diligence reporting, and organised workshops for capacity development. In partnership with SASRA, the FSD published a policy brief for SACCO managers, setting out the main licensing steps and requirements under the act. Another publication for SACCO members explained how the act would affect members' shares and deposits. While SASRA was the main implementing agency for all these offers of support to SACCO managers and members, the FSD acted as a reliable partner, providing expertise and facilitating partnerships.

¹¹⁸ SASRA Strategic Plan 2010/2011-2012/2013. Nairobi: SASRA.

¹¹⁹ www.sasra.go.ke/index.php?option=com_content&view=article&id=78&Itemid=60

Evaluation

FinAccess also informs the evaluation of the new regulation. Between 2006 and 2009, the survey revealed a decline in SACCO use, from a market share of 13.1% in 2006 to 9.0% in 2009. This rapid loss of market share was explained by the precarious financial situation and consequently poor reputation of many SACCOs. This finding only reinforced the need for quick implementation of the regulation that had been passed the year before. The next survey results are expected in summer 2013, and will show broadly how the regulation has affected access to financial services.

To date, 124 out of the 215 SACCOs subject to regulation have been licenced. These 124 institutions control 80% of the sector's total financial assets. The others must explore available alternatives including mergers or even shutting down FOSA operations if they are unable to obtain a licence by the end of the transition period. Licenced SACCOs have shown a 15% rise in total assets, a 27% rise in membership and a 35% rise in share capital, making them much more secure and sustainable.¹²⁰ SACCOs' reputation among Kenyans has markedly improved since the licensing process began.

SEE
COMPANY
EXAMPLE

¹²⁰ SASRA (2011). Sacco Supervision Report 2010 (Deposit Taking Saccos). Nairobi: The Saccos Societies Regulatory Authority.

COMPANY EXAMPLE: Mwalimu savings and credit cooperative (SACCO) in Kenya

Offering safe and quality access to financial services

Left photo: © 2013 Mwalimu National Sacco Ltd., right photo: not specified



Member meeting in a rural SACCO .



Kenya's financial sector is growing rapidly .

Mwalimu (Swahili for teacher) SACCO, an urban savings and credit cooperative created in 1974, has grown to be the biggest SACCO in Kenya. It today has more than 50,000 members, along with 11 branches, giving it a presence in most Kenyan provinces.

Mwalimu SACCO was one of the first SACCOs in Kenya to introduce FOSA services. In 1999, going beyond the traditional loan model, it started offering ATM access, checking accounts, and other services. When the SACCO Society Act was passed in 2008, the institution started the newly required licensing and evaluation process. SASRA and FSD provided capacity training and assistance in self-evaluations. It took about six months for Mwalimu SACCO to obtain the required licence.

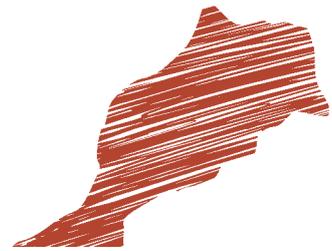
Mwalimu SACCO was also supported by FSD Kenya in finding solutions to technical challenges. As a part of FSD's SACCO automation project (conducted in conjunction with the Accenture Development Partnerships consultancy), Mwalimu SACCO was assisted in updating its IT system so as to better record teller operations, capture customer data, identify delinquent loans and in general to deal more efficiently with areas requiring well-functioning and up-to-date IT support.

Initially, members criticized the new regulation. As attendance at member meetings was restricted due to the process of board and membership restructuring, some complained that the rights of the owners (members) were being taken away. Some also complained about the small fee levied by SASRA. After a relatively short time, however, the benefits of the new environment were recognised. The act empowers SACCO members by assuring safe and regulated access to financial services; moreover, the regulations ensured better service quality and led to a rise in members' confidence, as regulated SACCOs today have a better reputation than in previous years. From 2010 to 2012, Mwalimu SACCO saw a considerable rise in member deposits (from approximately KES 13.5 billion to KES 15.5 billion) and total assets (from KES 17 billion to KES 19.3 billion).

Sources: FSD Kenya (2010). Automation of SACCOs: Assessment of Potential Solutions. London: Accenture Development Partnerships; Mwalimu SACCO Magazine (2011); SASRA (2010). SACCO Supervision Report; SASRA (2011). SACCO Supervision Report; Interview with Joshua Ojall, CEO Mwalimu SACCO.

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CASE STUDY ON THE NATIONAL INITIATIVE FOR HUMAN DEVELOPMENT (NIHD) IN MOROCCO



Local participatory processes to address basic needs



APPROACH:
Encouraging



TYPE:
Structure and capacity

INSTRUMENT:
Development partnership

TARGET GROUP:
Morocco's most vulnerable groups and poorest people

KEY PUBLIC ACTOR:
King Mohammed VI, Ministry of Interior

ACTORS INVOLVED:
Several ministries, regional and local administrations, local authorities, CSOs, private businesses, international donors

START:
Phase 1: 2006–2010,
Phase 2: 2011–2015

Policy in brief

The National Initiative for Human Development (NIHD) is a comprehensive development programme launched in 2005 by King Mohammed VI. The interdisciplinary, targeted and participatory approach of the NIHD marks a turning point in socio-economic policy that differs from the authoritarian and centralistic traditions of the Kingdom of Morocco. The policy programme's main objectives are to satisfy the basic needs of Morocco's most vulnerable groups and poorest people, and to improve good governance at the local level. To accomplish these objectives, institutions and processes were created that establish and systemise collaboration between public-sector, private-sector and civil society actors. The initiative also promotes inclusive business as an important tool for development. It encourages public and private actors to make access to basic services for poor people a priority thereby facilitating the market access for inclusive businesses. And it empowers the poorest, most vulnerable in Morocco to define their needs. The programme's first phase yielded good results, with more than 22,000 individual projects being implemented. The second phase was launched in 2011.

Problem definition and agenda-setting

Morocco is classified as a lower middle-income economy by the World Bank.¹²¹ Despite its relatively stable economic development path, human development indicators in Morocco have remained at relatively low levels, and significant parts of the population (in rural and urban areas) suffer from poverty and vulnerability.¹²² The absence of an effective public welfare system and the lack of basic (service) infrastructure lead to high income inequality and illiteracy rates. At the beginning of the millennium, over 50% of Moroccan public spending was directed towards programmes to fight poverty, but all exist-

ing policy measures were top-down and poorly targeted.¹²³ Coordination and cooperation between programmes and ministries were weak.

In response to these challenges, King Mohammed VI called for a bottom-up policy programme that would enable the most vulnerable groups to define their needs and implement income-generating projects, while strengthening inclusive business models addressing this population.

Policy formulation and adoption

In a speech on 18 May 2005, King Mohammed VI announced the creation of the NIHD and emphasised its role as a long-term national strategy to promote social development in Morocco. The king's strong commitment and continued presence throughout the implementation process is seen as one of the most important factors in the success of the NIHD.

King Mohammed VI tasked the prime minister with the elaboration of the concept. The design process also involved several other ministries. Three months later, then-Prime Minister Idriss Jetou presented an outline of the planned strategic approach and target groups for NIHD interventions. This approach was based on in-depth empirical research and analysis. A total of 403 rural communes and 264 urban neighbourhoods with an especially high concentration of poor and vulnerable people were selected as primary target groups for locally grounded support measures in areas such as infrastructure, sanitation, health and education.

Though the NIHD is not an explicit inclusive business policy, its approach supports this type of activity as an impor-

* RESHAPE THE OUTLOOK OF THE POOR

** OVERARCHING POLICY FRAMEWORK

¹²¹ http://data.worldbank.org/about/country-classifications/country-and-lending-groups#Lower_middle_income

¹²² <http://hdrstats.undp.org/en/countries/profiles/MAR.html>

¹²³ www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2012/06/25/000386194_20120625020004/Rendered/PDF/ICR19550P100020Codisclosed060210120.pdf

tant tool for development in a variety of ways. First, it defines an overarching national strategy that makes access to basic services for most vulnerable groups a priority for all societal stakeholders and thereby facilitates the market access for inclusive businesses. Second, it institutionalises collaboration between public-sector actors, CSOs and social businesses at the local level. Third, it empowers the poorest and most vulnerable groups in Morocco to define their needs and implement inclusive business models to address them.

Based on the policy outline, the king assigned the Ministry of Interior to conduct further planning and coordination of the initiative's implementation. This ministry has the power to mobilise administrative actors at the local level, because the heads of regional and provincial administration bodies are appointed by the king and have to report to the ministry. The delegation of policy coordination function to the powerful Ministry of Interior thus unequivocally underlined the high priority of the programme and ensured its implementation in all regions.

Implementation

Following a half-year planning phase in 2005, the NIHD officially started its operational work in 2006. Operationalisation was performed with the assistance of the World Bank and other donors. Since the NIHD makes access to basic services for most vulnerable groups a priority, implementation involves a range of different actors. Local authorities, administrative bodies as well as cooperatives, associations and mutual-aid societies that are perceived as critical to poverty reduction and socio-economic development were strongly encouraged to implement projects under the initiative's purview. The first phase of the NIHD (2006–2010) was implemented through two geographically targeted programmes (i.e., the urban and rural programmes) and two country-wide programmes (the so-called transversal programme and the programme against precarious living conditions). The four programmes co-finance subsidiary projects for which municipalities, CSOs,

associations, interest groups, cooperatives or decentralised executing agencies can apply.

Two different types of projects are typically supported. The first type focuses on building social infrastructure (e.g., construction, rehabilitation, extension or improvement of road and street infrastructure; electricity or water supply; sanitation or solid waste services; schools; local health care or community centres; public gardens; sports or other public facilities; etc.).

The second type of project aims to support the development of local inclusive businesses, with the aim of improving organisation, product quality, marketing or business training. This type of project also includes activities that integrate the NIHD target population into infrastructure or service projects (e.g., local household-waste collection, water management, or recycling management) in order to generate revenues for the local communities.

While municipalities and decentralised executing agencies are the primary applicants for the first type of project, the second type has seen large numbers of applications from cooperatives, CSOs, associations and interest groups. Applicants have to hand in a business plan and a feasibility study that outlines the practicability and sustainability of their income-generating project. Moreover, applicants have to make a financial contribution of at least 30% of the total costs towards the project's realisation (of which 20% can be provided by a microcredit loan); this provision is deemed to strengthen ownership and probable success. After a project has been selected, a contract between the governor, the president of the provincial committee for human development and the project's sponsor (e.g., a microcredit institution) is signed.¹²⁴ Typical projects comprise agro businesses employing members of marginalised groups, medical and women's centres in remote areas, boarding schools for girls who cannot afford the daily transport to school or training centres for marginalised groups of society.

CLEAR INCENTIVES

SOUND INFORMATION ABOUT THE TARGET GROUP

CLEAR RESPONSIBILITY

BUSINESS LANGUAGE AND TOOLS

While the “urban” and “rural” programmes of the INDH concentrate on geographically determined target groups, the “transversal programme and the programme against precarious living conditions” are open to project proposals outside the defined locations. Through public tenders, inclusive businesses were identified for the realisation of projects like for example the electrification of urban slums.

SEE COMPANY EXAMPLE!



NIHD’s institutional governance structure incorporates strong inter-ministerial coordination and reaches from the national to the local level. The implementation of programmes and the selection of proposed projects are monitored by 700 newly established committees that span all governmental levels; these include about 11,000 elected authorities, members of the public administration and civil society actors. Contingent upon the individual decisions of committee heads, private-sector actors participate in some of the newly established committees for human development, but have no formal role in the governance structure. As the lack of business skills and market knowledge was evaluated as being a major challenge throughout the policy implementation process, the explicit integration of the private sector might be considered in the future.

FORUM FOR DIALOGUE



** MEASURING EFFECTS



A special unit called the National Coordination of the NIHD, associated with the Ministry of Interior, is responsible for the operationalisation and administration of the NIHD.

CLEAR IMPLEMENTATION RESPONSIBILITY



Social Mobilisation Teams (Equipes d’Animation Communal du Quartier) staffed with (local) professionals act at the local level by facilitating the project application process in municipalities and neighbourhoods, and by providing advice to the applicants. With the help of these animation teams, the NIHD empowers the poorest and most vulnerable groups in Morocco to define their needs and address them through the implementation of inclusive business models.

INFORMATION ABOUT THE TARGET GROUP



*** TRIAL AND ERROR



The NIHD’s aspiration to a high level of transparency is put in practice through its website, which contains introductions to and explanations of each step of the initiative’s implementation, all projects, press releases, public evaluations, etc.¹²⁵

Costs for the first phase of NIHD implementation totalled about MAD 14.6 trillion (about US\$1.73 billion). This was jointly financed by the central government (69.7%), local governments (20%) and international donors (11.3%).¹²⁶ For the second phase (2011–2015), Morocco will receive the biggest loan in its history, with the World Bank providing a loan of MDH 300 billion (US\$34.7 billion). Additional donations are being provided by the European Union and Saudi Arabia.

Evaluation

In the course of the first-phase implementation process, the NIHD was evaluated several times by the government itself as well as by private companies commissioned by the Moroccan government and international donors. By 2010, more than 20,000 development projects had been implemented, reaching about 5 million beneficiaries.¹²⁷



NIHD has shown that innovative and participatory approaches can be put in place rapidly even in a country with a top-down and centralistic policy tradition. Nevertheless, it seems clear that new policy programmes need time to reach their full potential. As the NIHD is a complex policy programme involving multiple actors at different levels, its processes have to be perfected over time, drawing on lessons learned throughout its implementation. In the second phase of the NIHD, which was begun in 2011, lessons from the first phase were considered and implemented.



Evaluating the NIHD from an inclusive business point of view, three main aspects seem to be most relevant:

125 www.indh.gov.ma

126 Based on information from expert interviews.

127 www.indh.gov.ma/fr/doc/Plateforme_INDH_2011-2015.pdf

- The NIHD defines an overarching national strategy that makes access to basic services for most vulnerable groups a priority, and thereby facilitates market access for inclusive business models.
- The NIHD encourages and institutionalises collaboration between public-sector actors, CSOs and social businesses at the local level.
- The NIHD empowers the poorest and most vulnerable groups in Morocco to define their needs and implement inclusive business solutions to address them.

Overall, all main actors involved in the NIHD seem generally satisfied with the initiative's first-phase achievements.

Nevertheless, to unlock the NIHD's full potential to support inclusive business models in Morocco, it seems advisable to strengthen the consultative role and formal integration of the private sector throughout all phases of the policy process.

COMPANY EXAMPLE: **Lydec**

Providing electricity and clean water services in urban and rural Morocco

Photos: ©INDH-INMAE 2013



Lydec experts in an informal neighbourhood.



Lydec connects houses in urban and rural slums to electricity, wastewater systems and street lighting.

Lydec is a public services company in Casablanca and a subsidiary of Suez Environment, a private French company. Lydec provides solutions in the areas of drinking water, wastewater, electricity distribution and street lighting. In 1997, the company received a concession for the region of Greater Casablanca, and was selected to introduce electricity and wastewater services in urban slums and rural shanty towns. In Casablanca, 900,000 inhabitants live in such "unhealthy" housing environments.

Before the launch of the NIHD, there was no national policy framework for investments in informal settlements of this kind. Consequently, inclusive businesses like Lydec depended on the ad-hoc decisions of local authorities. Without governmental subsidies, connection costs were too high to be profitable. The political strategy with regard to unhealthy housing environments consisted of the relocation of people from informal neighbourhoods and slums into social housing.

By contrast, the NIHD prioritised on-site upgrades of existing settlements, through the provision of access to utility services (water, sanitation, electricity). In the context of NIHD, Lydec signed a framework agreement in September 2005 with the administrative and elected authorities of the Greater Casablanca region and the Ministry of Interior. As a result, local authorities were obliged to provide Lydec with the information needed

for its business (such as a listing of all inhabitants living in informal neighbourhoods), and social tariffs were guaranteed through the provision of public subsidies. Under the name INDH-INMAE, the slum-upgrade project is being directed by Lydec, bringing together 60 actors from the private, public and civil sectors. Lydec is in charge of project management, the coordination of all actors, technical and financial solutions, and reporting to the public authorities.

Remaining challenges for Lydec include persisting financial deficits and a need for additional investors, as well as lengthy decision-making procedures on the part of local authorities with regard to off-site relocation or on-site upgrades, restructuring plans, beneficiary lists, and land tenure.

As a highly visible and overarching political strategy, the NIHD has pushed local authorities and administrative bodies to cooperate with inclusive businesses such as Lydec, enabling and supporting them as they reach out to their base-of-the-pyramid customers.

Source: Hatem, Tarek. "LYDEC: Providing Electricity, Water & Sanitation to Casablanca's Shanty Towns." GIM Case Study No. A027. New York: United Nations Development Programme, 2008



CASE STUDY ON THE ZONES FREE OF EXTREME POVERTY PROGRAMME (ZOLIP) IN COLOMBIA

A geographic focus to poverty alleviation and private sector engagement



APPROACH:
Encouraging



TYPE:
Structure and capacity

INSTRUMENT:
Development partnership

TARGET GROUP:
poor communities

KEY PUBLIC ACTOR:
Department of Social Prosperity

ACTORS INVOLVED:
Municipal governments, private companies

START: 2011

Policy in brief

Institutional reforms underpinned by presidential commitment to poverty reduction and considerable government resources led to the creation of the Zones Free of Extreme Poverty (Zonas Libres de Pobreza, ZOLIP) programme, which adopts a geographic approach to poverty alleviation. The programme builds on public-private partnerships to help families in designated areas overcome extreme poverty. The process involves committees of public and private actors that work together in building the capacities of poor families to participate in markets. The programme promotes inclusive business activities by involving companies in empowering families to participate in value chains. Because ZOLIP initiatives must complement participating local government's broader poverty alleviation activities, they can strengthen local policy frameworks.

Problem definition and agenda-setting

More than 40 years of internal conflict and violence involving outlawed armed groups and drug cartels in Colombia have left many of its citizens in dire economic straits. To be sure, recent Colombian governments have made considerable progress in reducing violence and building peace, generating a spirit of opportunity across the country. However, poverty, social injustice and violence continue to weigh heavily upon sustainable development, particularly in rural communities, where a quarter of Colombia's nearly 47 million people live.¹²⁸ Poverty is particularly severe in remote rural areas and conflict zones, where access to education is limited. These areas are also home to most Afro-Latino communities and indigenous peoples, who are among Colombia's poorest. Addressing the severity of social and economic exclusion in these areas, President Juan Manuel Santos gave priority to poverty alleviation

when he came into office in 2010, announcing a comprehensive approach to the fight against poverty and violence.

Policy formulation and adoption

During his first year in office, Santos' strategic approach to poverty reduction yielded the creation of a new institutional infrastructure. By November 2011, a new state sector for social inclusion and reconciliation had been established with the Department for Social Prosperity (DPS) as its governing body.¹²⁹ As the central body tasked with developing, coordinating and implementing all government policies aiming to compensate victims of conflict and reduce poverty, the DPS has consolidated social service programmes by directly administering several divisions and overseeing other offices that have been reassigned to the department. While the DPS provides advocacy and technical advice to its divisions and assigned offices, public funding comes from both the Congress and the Ministry of Finance.

With more than 11,000 employees and receiving the second largest share of the government's budget, the DPS represents one of Colombia's most ambitious institutional reforms.¹³⁰ Its mission and mandate builds strongly on the country's national development plan Prosperity for All,¹³¹ which underlies all government policies in Colombia and was enshrined in the Victims and Land Restitution Law (Law 1448 of 2011). This restitution legislation represents the Colombian government's most ambitious attempt to date to provide assistance and reparation to victims of violence.¹³²

¹²⁹ Palabras del Presidente Juan Manuel Santos en la presentación del Sector de la Inclusión Social y la Reconciliación. www.prosperidad.gov.co/n/Paginas/20111109a-Palabras-Presidente-presentacion-Sector-Inclusion-Social-Reconciliacion.aspx

¹³⁰ www.dps.gov.co/contenido/contenido.aspx?catID=3&conID=544&pagID=1910

¹³¹ www.dnp.gov.co/LinkClick.aspx?fileticket=zbyPnvjTgW0%3d&tabid=1238

¹³² www.leydevictimas.gov.co/documents/10179/19132/completo.pdf

¹²⁸ www.ruralpovertyportal.org/country/home/tags/colombia

* SEIZE THE MOMENT!
‡ CLEAR RESPONSIBILITY

** OVERARCHING POLICY FRAMEWORK

Although promoting inclusive business is not a direct DPS objective, the department's strategic approach to reform demonstrates a new openness to partnerships with the private sector in reducing poverty through the stimulation of entrepreneurial activities. This new openness is demonstrated best by the mission and strategy of the Agency for Extreme Poverty Alleviation (ANSPE), which was created in 2010 and assigned to the DPS in 2011. The agency's mission is to identify and implement strategies to support families in the most impoverished regions of Colombia by building on partnerships between companies, CSOs and public actors.¹³³ Its goal is to help 350,000 families escape extreme poverty by 2014, and eradicate extreme poverty in Colombia by 2020.¹³⁴

The ZOLIP programme represents the ANSPE's most prominent approach involving the private sector in poverty alleviation efforts. Established in 2011, ZOLIP builds on the idea that companies, CSOs and public actors can join forces to support poor families in a geographically defined region. Actors come together in a public-private partnership to identify and implement support measures tailored to the specific education, health and housing needs of poor families. The objective of each ZOLIP is threefold: first, ZOLIPs contribute to the government's poverty reduction plan by reducing the number of people living in extreme poverty within the respective territory to 0%. Second, they build the capacities of local authorities in poverty reduction and embed the national poverty reduction goals into local policies. Third, ZOLIPs promote locally rooted collaboration processes among both public and private actors for poverty alleviation. Moreover, since ZOLIP involves companies in partnerships that empower families to participate in markets, it promotes locally founded inclusive business models.¹³⁵

FORUM FOR DIALOGUE AND COLLABORATION

Implementation

The implementation of the ZOLIP programme is closely linked to ANSPE's core "united network" activity Red UNIDOS,¹³⁶ which adopts a wholistic approach to poverty reduction with an emphasis on understanding each and every poor family. UNIDOS is a network of 26 public agencies that aim to offer basic social services to families in extreme poverty through 10,000 "cogestoras," or advocates who help family and communities understand their social and economic situation better by assessing their needs through a set of indicators covering all aspects of prosperity (i.e., income generation, employment, access to civil registration, education and training, health, nutrition, housing, family dynamics, banking and savings, and access to justice). The results of the assessment directly inform a family action plan defining the types of support provided to the family. All families registered on the government's list of those living in extreme poverty and on the list of displaced people are eligible for the UNIDOS programme.

INFORMATION ABOUT THE TARGET GROUP

Both public and private actors can nominate a territory for inclusion in the ZOLIP programme and mobilise other actors to initiate the partnership. ZOLIP initiatives can take 12 to 36 months depending on the number of families to be targeted and the range of measures to be implemented. In order for an area to be selected for the ZOLIP programme, all partners must comply with a number of requirements.¹³⁷ First, the local authority involved, including the mayor, must ensure that poverty reduction is an integral part of the municipal development plan and that public resources are allocated to work with the UNIDOS families. The local government must also identify one coordinator responsible for facilitating the ZOLIP process. Ideally, this person is a higher-level public officer from the municipal administration with leadership skills and the ability to manage implementation with acumen and transparency. Second, private actors must officially articulate their interest in contributing both financial and human resources. Third, the local government

CLEAR RESPONSIBILITY

POLICYMAKING

¹³³ www.anspe.gov.co/en/node/43

¹³⁴ http://cornellclass.wordpress.com/2013/02/26/red-unidos-the-national-strategy-for-the-eradication-of-extreme-poverty-in-colombia/;

¹³⁵ www.dps.gov.co/contenido/contenido.aspx?catID=3&conID=544&pagID=1910

¹³⁶ www.anspe.gov.co/en/node/33

¹³⁷ Agencia Nacional para la Superación de la Pobreza Extrema (ANSPE) (2012). Zonas Libres De Pobreza Extrema (ZOLIP). Intervenciones integrales para erradicar la pobreza extrema en zonas geográficamente delimitadas. Bogotá: Government of Colombia.

SOUND INFORMATION

MEASURING EFFECTS

FORUM FOR DIALOGUE

INFORMATION ABOUT THE TARGET GROUP

must identify families in extreme poverty that take part in the UNIDOS programme. Families not included in the UNIDOS network that are (newly) registered with the government as living in extreme poverty have to be added to the UNIDOS network. And fourth, local authorities must assess both the needs of the families to be targeted in terms of the indicators defined by the UNIDOS strategy and broader macroeconomic issues in the territory.

Once an area is identified as a ZOLIP territory, partnerships are given form through the creation of a local ZOLIP steering committee. Comprised of representatives from all stakeholders, including ANSPE officials and selected cogestoras, the committee is tasked with developing an action plan for the territory, determining the roles and responsibilities of all partners involved, and monitoring implementation of the ZOLIP plan. This plan sets out the different forms of assistance and support measures in offer that are aligned with ANSPE's pre-defined guidelines.

Dialogue and consultation are key drivers of the action plan process. During the development phase, input from cogestoras as well as interviews with beneficiary families ensure that the plan is aligned with the target group's needs. Private actors also play a role in this proces by proposing innovative ideas that empower poor families to participate in a company value chain. The local government also contributes to the process, ensuring that the plan is linked to its broader poverty reduction policy framework.

The public and private partners then engage collectively in raising awareness about ZOLIP's support measures among UNIDOS families. This can take the form of informational events and exhibitions targeting family members. When it comes to selecting support, participating families can choose from the range of support offerings and receive a family plan that sets out the individual goals to be achieved in

a limited time frame. Private actors can help local actors and cogestoras with the delivery of support by providing know-how and capacity-building in areas such as employment skills, worker rights, housing and health.

Evaluation

Once a ZOLIP initiative has been completed, the committee evaluates the impact of the intervention according to pre-defined guidelines by ANSPE. The local government is also required to develop a sustainability plan to ensure that families can continue to count on support measures delivered by the UNIDOS programme. Private actors are also called upon to remain engaged with the community, thereby advancing the development of capacities among families in need.

Since the ZOLIP programme is still in its infancy, a comprehensive evaluation has yet to be conducted. However, the National Department of Planning's first evaluation in December 2012 of the DPS and its associated entities (including ANSPE) revealed that the 22 projects implemented thus far with the help of the private sector and international agencies have resulted in benefits for more than 10,000 Colombian families. The first ZOLIP municipality, Sopó, has already achieved its target in terms of eradicating extreme poverty.

Certainly, 22 projects seems like a relatively small number given the size of the overall programme. However, the fact that the ZOLIP programme could spawn collaboration processes in 22 localities in less than two years points to the openness of both public and private actors to this business-minded approach that was driven in large part by the private sector experience of many leaders within the DPS, including President Santos himself.¹³⁸

SEE COMPANY EXAMPLE

138 Schwab Foundation (2013). Policy guide to scaling social innovation. Geneva: Schwab Foundation.

The following two aspects are most relevant when considering the early results of the ZOLIP programme:

- The ZOLIP programme generates on-the-ground collaborative processes that allow public, private and civil society actors to identify the solutions that empower poor people to engage with companies. Since the ZOLIP must complement the local government’s activities in reducing poverty, ZOLIP helps strengthen the local policy framework for poverty alleviation.¹³⁹
- The data gathered through the ZOLIP programme helps government agencies and the private sector target their interventions more effectively toward the specific needs of the extremely poor. This data is of particular benefit to companies wishing to do business with this population.

In order to unleash ZOLIP’s full potential as an approach in support of inclusive business models, a broader swath of the private sector should be actively integrated into the programme and awareness regarding programme benefits should be raised. The government has thus far focused on primarily large companies, despite the fact that 96% of Colombian enterprises are small or medium-sized and generate 63% of the country’s employment. Such SMEs have the locally rooted business power needed to make a difference at the local level. Integrating these SMEs more fully into the ZOLIP programme could increase the programme’s reach and outcome considerably.

¹³⁹ Agencia Nacional para la Superación de la Pobreza Extrema (ANSPE) (2012). Zonas Libres De Pobreza Extrema (ZOLIP).

COMPANY EXAMPLE: **Alpina**

Driving extreme poverty out of Sopó

Photos ©Endeva



In Sopó, where many families live in extreme poverty ...

ZOLIP has empowered them to participate in the economy by addressing their specific needs.

Sopó, a small municipality on the outskirts of Bogotá, was the first locality to take part in the ZOLIP programme and to be declared as the first poverty-free territory after 21 families were provided support in lifting themselves out of extreme poverty. In Sopó, municipal authorities and private-sector employers, joined forces in empowering poor families to overcome extreme poverty within 14 months. Alpina, Colombia’s largest dairy producer, runs a major production facility in Sopó. The company thus had an interest in ZOLIP, to strengthen its employee community. The initiative began by identifying extremely poor families and assessing their needs with five family and community advocates, or cogestoras. Each family was then presented with a comprehensive action plan designed to overcome constraints in the areas of income generation and employment, access to civil registration, education and training, health, nutrition, housing, family dynamics, banking and savings, and access to justice.

The plan, monitored by the cogestoras, was undertaken by the municipality with the support of Alpina and other private actors. Alpina took the lead in persuading local enterprises, public-sector bodies and social organisations to participate in the programme. It also provided key support in designing the action plan, leading the subcommittee on income generation and banking, promoting improvements in actor alignment, ensuring accountability and monitoring, and in pressing for greater empowerment on the part of the municipal mayor. Through the ZOLIP initiative, Alpina facilitated the employment of three Red Unidos family members in Cundy Plas SAS, an inclusive business company in the waste-management field. Cundy Plas SAS processes recycled Alpina packages, recycling 98% of this mass for the plastic industry.

Source: Case study Alpina Reciclaje Inclusivo-Cundy Plast. In: Cambiando el Rumbo (2010). Casos de Sostenibilidad en Colombia. CECODES. http://www.mapeo-rse.info/sites/default/files/Cambiando_el_rumbo_2010_Casos_de.pdf, www.alpina.com.co

Moving forward

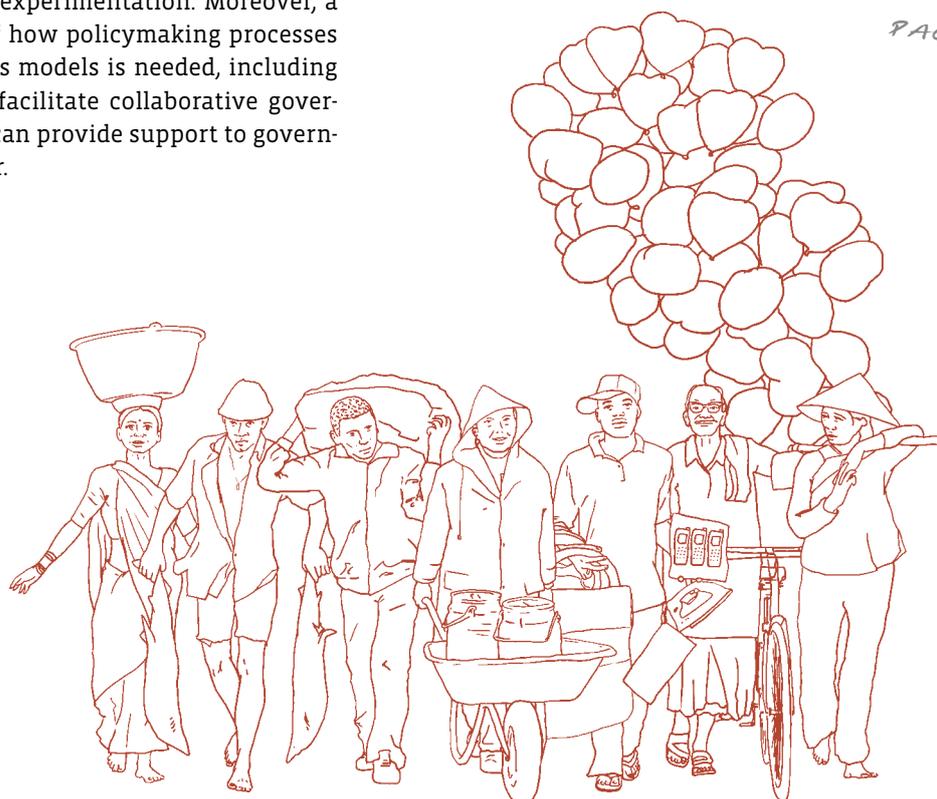
The study demonstrates that policies matter for the success of inclusive business models. Governments can draw from a broad spectrum of policy options for the direct support of mutually beneficial business relationships between private-sector companies and poor people. The frameworks, instruments and case studies presented here can help policymakers navigate this landscape of options and develop effective policies. They are also intended to guide and inform further research and dialogue on inclusive business policies.

As a new concept, inclusive business models merit attention, as policies conducive to this type of activity can strengthen companies' positive impact on poverty alleviation and human development.

This study is only a first step. Its limitations are obvious. It provides an overview of the available policy instruments and summarises insights from policies currently being implemented around the world. Each instrument presented here merits further exploration and, more importantly, experimentation. Moreover, a better understanding of how policymaking processes affect inclusive business models is needed, including how governments can facilitate collaborative governance and how donors can provide support to governments in this endeavour.

The following recommendations, distinguishing between types of relevant actors, are aimed at making policymaking environments increasingly conducive to inclusive business models. They are organised with reference to the four success factors that were identified as particularly crucial to inclusive business policymaking, as conditions that enable success will enhance outcomes overall.

PAGE 64-67



Dialogue

Collaborative governance requires the creation of forums for dialogue and the presence of skilled facilitation.

- **Governments** can create dialogue-driven forums in which to interact with companies that work with poor communities. A public representative could be assigned to act as a coordinating figure for inclusive business issues across the state administration. As issues relevant to inclusive business models are typically shared across multiple government entities (i.e., health and education ministries) this representative could ensure that information flows smoothly and that policy is coordinated among all relevant government bodies.
- **Donors** as well as governments can create forums that promote open dialogue among relevant stakeholders, either within a sector or around a specific issue. For example, they can establish PPDs and consultative bodies to solicit information on business challenges and find joint solutions. Using business language can help open doors to dialogue and overcome cultural barriers. Donors are well placed to act as facilitators of such dialogue, since they can take a neutral position and contribute insights from other countries or from current research. This function can also be institutionalized in facilitation programs, such as FSD in Kenya.
- **Companies** can collectively identify areas of constraint that could lead to inclusive business opportunities if addressed by government. Furthermore, they can offer concrete policy suggestions. These positions can be articulated via business associations or through more specialised groups such as local business networks focused on sustainability or other specific issues.
- **CSOs**, including trade unions, community organisations and others, can help communicate poor communities' expectations, identify constraints that prevent these communities from engaging in broader value chains, and raise awareness of their needs among governments and donors.

Political entrepreneurship

Entrepreneurship is not typically associated with policymaking, but is in fact a necessary prerequisite in developing innovative policy solutions. It can be cultivated and encouraged.

- **Governments** can cultivate entrepreneurship among policymakers by enabling them to work in ways that transcend established institutional boundaries. For example, administrative careers could include the option to be temporarily seconded to a business association or different ministry. Successful policy entrepreneurs should be identified and provided with public recognition in order to create role models in this area. To this end, governments can reward innovative solutions and good performance through award programmes or other similar means.
- **Donors** can facilitate peer-to-peer exchanges among policymakers. Meeting like-minded people is an excellent way to remain motivated, gain support even in the face of difficulties at home, and learn from others. Conferences, academies and communities of practice are suitable formats. Moreover, donors can reward good policy practice in order to provide encouragement to others.

Alignment

Inclusive business policies need to fit into the existing policy landscape and reflect the interests of diverse stakeholders.

- **Governments** can review current policies for existing links between poor people and companies, and coordinate action within all relevant departments to make these links more productive. For example, policies promoting better inputs for agriculture can ensure that interventions encourage the development of the private market for inputs rather than replacing it. Governments can also enable public agencies to enter into private-sector partnerships that combine business opportunities with development goals.
- **Donors** can help build structures that complement the institutional landscape. These may include certification programmes, credit-rating schemes or research facilities, for example. They can also help governments gain the capacities to implement inclusive business policies and collaborate with other relevant actors in multi-stakeholder initiatives.
- **Research institutions**, including universities and private think tanks, can analyse the existing policy landscape and identify gaps and potential solutions that are compatible with existing policies and institutions.

Practical evidence

If they are to gain acceptance by all relevant stakeholder groups, inclusive business policies need to be informed by empirical evidence and real-world experience.

- **Governments** can fund a variety of types of relevant research. For instance, data on low-income markets can be compiled, baseline studies performed and existing policies evaluated. Governments can also use new technologies to ensure that policy monitoring and the data gathered in the course of policy implementation is transparent and visible to other stakeholders.
- **Donors** can also fund research, through means such as the establishment of centres of excellence. They can host conferences to discuss findings and disseminate best-practice policies. They can support governments in monitoring and evaluation activities, and make these results available to the public.
- **Companies** can help identify market constraints within poor communities, as well as report on the real-world impacts of policy changes. This can be done by collaborating with universities in the documentation of case studies, for example.
- **Research institutions** can conduct additional research and analysis to inform inclusive business policies. They can identify and document existing policy examples, and extract insights from analyses of current company experiences within poor communities. In particular, a better understanding of the various policy instruments' relative efficacy is needed, as is additional insight on potential pitfalls and best practices in implementing them.
- **CSOs** can support the implementation of low-income market surveys, thus increasing the availability of data to be used for evidence-based policymaking.

Collaborative governance has been identified as a necessary mode for inclusive business policymaking. This study can serve as a starting point for dialogue and action to engage more companies in reaching development objectives.

Inclusive business models are neither a silver bullet nor an entirely new concept. However, they can reveal opportunities for diverse actors to engage in a joint process of value creation, while simultaneously contributing to inclusive growth.



Annex

Methodology

The insights in this study are based on a number of sources.

Goals

The study was intended to provide a conceptualisation of inclusive business policies, while defining what types of policies fall into this category and what do not. It also aimed to provide policymakers with a logical framework for thinking about potential policies and documenting existing policies. Finally, the study sought to gain a deeper understanding of the complex processes associated with inclusive business policymaking. As this research questions contain multiple levels, a variety of strategies were employed in the study’s response.

Literature

A literature review was performed in an effort to understand core concepts and current thinking on inclusive business models. The most relevant sources are provided under “Further reading”. The study’s definition of inclusive business policies was derived primarily from this literature review. More specific sources are quoted in footnotes only.

Policy examples

Existing examples of inclusive business policies were compiled based on this definition. Policies were defined as inclusive if they directly facilitated interaction between poor communities and businesses. A total of 158 policy examples were identified by screening inclusive business case studies and relevant reports, as well through suggestions provided by experts in the field. Examples represent all world regions and a diversity of sectors, as shown in figure 8.

Examples were collected in a database emphasising the following categories:

- Basic case information: Name, country, source, contact
- Case description: summary, responsible institution, objectives, context, results, company example
- Case history: Start year, end year, initiation, implementation, evaluation, lessons learned

Examples were then clustered to create categories of instruments, as well as the higher-level dimensions of instrument type and policy approach. The results of this synthesis are contained in the inclusive business policy toolbox.

Figure 8: Overview of policy examples by region and by sector



Field studies

A set of field studies was undertaken in order to gain insight into how inclusive business policies are implemented in practice. The goal of these studies was to understand how policymakers in the real world conceived, developed and implemented inclusive business policies. The field studies also aimed to identify success factors in this policymaking process. Since only a small number of cases could be documented in depth, case studies focused on successful policy examples, in the sense that a positive impact on the target population is already visible. Cases were selected to represent different regions, different sectors and different institutional backgrounds. Field research was conducted in May 2013.

Interviews

Winners of the G20 Challenge on Inclusive Business Innovation were interviewed to understand whether they had benefited from government support, and how they were engaging with government more generally. A total of 15 inclusive business models received awards for innovation in the course of this global challenge, which was organised by the IFC in the context of the G20 meetings. Winners were drawn from a variety of countries and sectors. The interview protocol can be summarised as follows:

- **Experiences:** What kinds of policies (implemented by national governments, donors or international organisations) support your company’s inclusive business model? Has your company experienced constraints in setting up/implementing the inclusive business model due either to inadequate policy support or a lack of policy support?
- **Process:** Which ministry do you work most closely with in pursuing your inclusive business model, and what form does that work take (meetings, workshops, informal communications, etc.)? What kind of process led to the design and implementation of policies supporting your model? Was/is your company involved in the design and implementation of these policies? Are other non-state actors involved?
- **Needs:** What kind of policy support would your company need to further improve the success of your inclusive business model? What policies would improve the broader enabling environment for inclusive business models in your country?

Figure 9: Overview of policy instruments for field studies

CASE EXAMPLE

	Financial Sector Deepening Initiative (FSD)	International Initiative for Human Development (INDH)	National Health Insurance Scheme (RSBY)	Zones Free of Extreme Poverty (ZOLIP)
Country	Kenya	Morocco	India	Colombia
Government type	Republic	Constitutional monarchy	Federal republic	Republic
Region	Sub-Saharan Africa	North Africa	South Asia	South America
Instrument	Legal framework for market participation	Development partnership	End-user insurance scheme	Development partnership
Type	Rules §	Structure and capacity #	Financial resources \$	Structure and capacity #
Approach	Empower 	Encourage 	Empower 	Encourage 

DIMENSION OF VARIANCE

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List of policy instruments

158 examples of inclusive business policies have been identified and analysed for this study. The list below contains all examples, organized by approach, type and instrument.

COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
ENABLING							
DATA AND RESEARCH (INFORMATION)							
Bangladesh	Investment in R&D on rice research	Bangladesh Rice Institute and International Rice Research Institute partner on varietals research	Bangladesh Rice Institute, part of National Agricultural Research System	1966	www.brri.gov.bd/	Agriculture	Asia
Brazil	National Observatory for Digital Inclusion	Quantify and establish an overview of the federal government's initiatives promoting digital inclusion	Ministry of Planning	2005	https://sites.psu.edu/teamamerica/2013/04/04/digital-divide-closing-with-help-from-cdi/	ICT	Latin America
Ethiopia	Ethiopian Institute for Agricultural Research	Supported PepsiCo and USAID in identifying plots for the country's chickpea project	Ministry of Agriculture	2012	www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/AFIMcases/UNDP%20GIM%20Case%20Study%20PepsiCo%20Final.pdf	Agriculture	Sub-Saharan Africa
Kenya and 15 other countries	FinScope/FinAccess	Empirical national household survey to measure state of financial inclusion	Finscope; Central Banks; Ministries	2001	www.fsdkenya.org/finaccess/index.html	Finance	Sub-Saharan Africa
Philippines	Coconut husk research	Research into productive use of coconut husks has led to a coconut fabric product and creation of a company	International Research and Development Centre	2008	http://cases.growinginclusivemarkets.org/documents/70	Agriculture	Asia
Rwanda	Integrated Household Living Conditions Survey	Conducts surveys on well-being issues such as poverty, inequality, employment, education, health and housing conditions, household consumption and mobile phone coverage	Government; National Institute of Statistics	2001	http://statistics.gov.rw/publications/all/Survey%20report	Cross-sectoral	Sub-Saharan Africa
PEER-TO-PEER LEARNING (INFORMATION)							
Brazil	International Policy Centre for Inclusive Growth	Global forum for policy dialogue and South-South learning on development innovations	Government of Brazil in collaboration with UNDP	2004	www.ipc-undp.org/pages/newsite/menu/about/introduction.jsp?active=0	Cross-sectoral	Latin America
SECTOR REGULATION (RULES)							
Bosnia and Herzegovina	Law on Waste Management (Official Gazette of Federation BiH, No. 33/03)	Lack of public waste management created a business opportunity for a private waste recycling firm	Local authorities	1999	http://cases.growinginclusivemarkets.org/documents/34	Waste	Eastern Europe
Brazil	Social and Agricultural Policy	Promotes agricultural sector and small family farms	Government; Ministry for Agricultural Development	2005	www.rural21.com/uploads/media/rural_2011_4_36-39_01.pdf	Agriculture	Latin America



COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
China	National Forest-Pulp-Paper Integration Strategy	Interlinked policy strategy targeting a more sustainable paper industry	Government; National Development and Reform Commission; local authorities	1990s	http://businessandpublicpolicy.wordpress.com/2010/06/03/huatai-paper-company-china/	Natural Resource Management	Asia
Colombia	Socia Innovation Programme (Programa Innovación Social)	Programme targeting poverty alleviation by strengthening social innovation	Agency for Extreme Poverty Alleviation	2012	www.anspe.gov.co/es/programa/innovacion-social/lineas-estrategicas	Social	Latin America
Colombia	National Strategic Plan for Green Markets	Strategy aims to: create a national green market for sustainable goods by increasing domestic demand; establish Colombia as a supplier of green products in international markets; and strengthen organisational structures supporting production	Government; Environment Ministry	2002	www.minambiente.gov.co/contenido/contenido_impri-mir.aspx?catID=151&conID=293&pag1	Cross-sectoral	Latin America
Colombia	Law 99 of 1993 – procedures for civic participation (procedimientos de participacion ciudadana)	Policy framework for the water and sanitation sector designed to extend coverage throughout poorer municipalities not effectively served by traditional public utilities	Government	1993	www.elaw.org/node/1822	Water and Sanitation	Latin America
Congo (DRC)	Telecommunications Law	Framework for telecommunications concessions	Government	2003	http://growinginclusive-markets.org/media/cases/DRC_Celtel_2008.pdf	ICT	Sub-Saharan Africa
Mexico	Legislation lifting monopoly on agricultural insurance	Elimination of state's monopoly in providing agriculture insurance services; creation of a state-owned insurance company, Agroasemex	Government	1990	http://worldbank.mrooms.net/file.php/350/community-pdf/SelfInsurance_mexico_English_Edited.pdf	Finance	Latin America
Morocco	Microfinance Law	Internationally recognised legislation providing a clear framework for the development of the microfinance industry	Government	1999/2000	www.microfinancegateway.org/p/site/m/template.rc/1.26.12518/	Finance	North Africa
Morocco	Plan Maroc Vert	Comprehensive policy framework to develop the agricultural sector and include smallholder farmers	Agency for Agricultural Development	2011	www.ada.gov.ma/en/Plan_Maroc_Vert/plan-maroc-vert.php	Agriculture	North Africa
Nepal	Nepal Agriculture and Food Security Country Investment Plan	National Plan to increase sustainable agricultural productivity, includes aim to improve farm incomes livelihood of rural people by linking them to markets and strengthening agricultural value chains.	Government of Nepal Ministry of Agriculture Development	2010	www.gafspfund.org/sites/gafspfund.org/files/Documents/Nepal%20Agriculture%20Investment%20Plan.pdf	Agriculture	Asia
Senegal	Telecom Law	Deregulation of telecommunications monopoly	Government	1996	www.icdt-oic.org/Ressources/www.icdt-oic.org/Documents/Biz_Guide_SN.pdf	ICT	Sub-Saharan Africa
South Africa	Water Services Act	Legal framework allowing private-sector water provision (resulting from constitutional guarantee of water access as a basic right)	Government, Department of Water Affairs and Forestry	1997	www.dwaf.gov.za/Documents/Legislature/a108-97.pdf	Water and Sanitation	Sub-Saharan Africa
South Africa	Medicines Act	Legal framework for ensuring that medicines in South Africa are affordable (supports generic substitution)	Government, South African Department of Health	1997	www.doh.gov.za/docs/legislation/acts/1997/act90.pdf	Health	Sub-Saharan Africa



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COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
Sri Lanka	National Health Policy for 2007-2016	Health policy encourages the development of the private sector and seeks partnerships in buying services delivered by private providers	Government; Ministry of Health	2007	www.health.gov.lk/en/	Health	Asia
Tanzania	Rural Electrification Policy	National Energy Policy and Rural Energy Act promote and facilitate rural energy development through research, and by partnering with the private sector and CSOs	Government; Rural Energy Agency under the Ministry of Energy and Minerals	2003	www.rea.go.tz/	Energy	Sub-Saharan Africa
Uganda	National Water Policy	National policy promoting private-sector participation in water resource management	Government	1999	www.ruwas.co.ug/reports/National%20Water%20Policy.pdf	Water and Sanitation	Sub-Saharan Africa
STANDARDS (RULES)							
Ethiopia	Standards for beeproducts	Facilitates compliance with international standards for honey and beeswax to obtain international accreditation required for export to EU	Government; Ethiopian Honey and Beeswax Producers and Exporters Association, Ministry of Agriculture and Rural Development	2008	www.ehbpea.com/	Agriculture	Sub-Saharan Africa
Madagascar	Standards on aquaculture	Sets guidelines for responsible aquaculture in Madagascar in order to create long-term income opportunities for local communities	Government	1998	www.fao.org/docrep/012/11601e/11601e00.pdf	Agriculture	Sub-Saharan Africa
Guatemala	Mandatory FSC certification	Concessions for forest management in the Maya Biosphere require FSC certification	Government	1990	www.isealalliance.org/sites/default/files/E049_Guatemala_FSC.pdf	Natural Resource Management	Latin America
Peru	Seedling quality certification	Provides a quality assurance system for coffee nurseries and a manual on standards and certified coffee plants	Junta Nacional de Café	2010	www.esfim.org/collaborative-research/peru	Agriculture	Latin America
Uganda	Standards for organic agriculture	Fosters the adoption of standards for transforming conventional agricultural production into an organic farming system, which provides farmers an important source of export earnings	Ugandan Government	2003	www.unep.org/greeneconomy/SuccessStories/OrganicagricultureinUganda/tabid/29866/language/en-US/Default.aspx	Agriculture	Sub-Saharan Africa
Pan-Asian	ADB Regional Forum for Inclusive Business	International forum for the support of inclusive business in Asia with focus on investments for inclusive business models	Asian Development Bank	2012	www.adb.org/news/events/investing-inclusive-business-asia-adb-regional-forum	Cross-sectoral	Asia
Tanzania	Presidential Circular No. 1 of 2001	Forum in which the government, private sector and other actors can discuss issues of socio-economic development in Tanzania	Government	2001	www.tnbc.go.tz/index.php/Background.html	Cross-sectoral	Sub-Saharan Africa
OVERARCHING POLICY FRAMEWORK (RULES)							
Colombia	Sector for Social Inclusion and Reconciliation	Institutional framework allowing government agencies and societal actors to focus on achieving these objectives	Department for Social Prosperity	2011	http://reports.weforum.org/social-innovation-2013/	Social	Latin America
Ecuador	Buen vivir	A rights-based national development strategy that is integrated into the Ecuadorian constitution, grants the right to nature, and promotes inclusive development	Government	2008	http://plan2009.senplades.gob.ec/web/en/presentation	Cross-sectoral	Latin America

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COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
Kenya	Vision 2030	Comprehensive and inclusive framework, implemented via different programmes and flagship projects	Government	2008	www.vision2030.go.ke/	Cross-sectoral	Sub-Saharan Africa
Nepal	National Development Plan	Socially and economically inclusive National Development Plan (draft status), includes policies aiming at the support of subsistence farmers, cooperatives and the private sector in general	Government, National Planning Commission	2013	www.npc.gov.np/new/staic/policies.php	Cross-sectoral	Asia
Nigeria	National Policy on Micro, Small and Medium Sized Enterprises	Policy providing the legal framework to support MSMEs across sectors, focusing on issues such as business formalisation, property rights and standards/quality regulation	Small and Medium Enterprises Development Agency of Nigeria	2006	www.smedan.gov.ng/images/MSME%20National%20Policy.pdf	Cross-sectoral	Sub-Saharan Africa
Philippines	Philippine Development Plan 2011-2016	National Development framework targeting inclusive growth that is anchored in the social contract between government and population	Government	2011	www.neda.gov.ph/PDP/2011-2016/	Cross-sectoral	Asia
ACCESS TO FINANCE/MARKET-RATE LOANS (FINANCIAL RESOURCES)							
Ghana	Venture Capital Trust Fund	Fund established to provide low-cost financing to businesses so they can grow, create jobs and wealth	Government of Ghana	2004	www.venturecapitalghana.com.gh/	Finance	Sub-Saharan Africa
Malaysia	Soft Loan For SMEs	promotes the development of SMEs in Malaysia. It assists existing and start-up enterprises in projects, fixed assets and working capital financing	Government of Malaysia	2001	www.smecorp.gov.my/vn2/node/46	Finance	Asia
Pan-African	African Women in Business Initiative	The Private Sector and Microfinance Department of the AfDB has developed integrated financing programmes for women's entrepreneurship development in order to empower women entrepreneurs with access to finance	African Development Bank	2004	www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-women-in-business-initiative/	Finance	Sub-Saharan Africa
INFRASTRUCTURE (STRUCTURE AND CAPACITY)							
Burundi	Government entities act as financial agencies	Burundi's postal network provides infrastructure for Mobile phone operator Econet, to achieve greater access to financial services for remote communities	Burundi Post		www.cgap.org/sites/default/files/Focus-Note-Financially-Inclusive-Ecosystems-The-Roles-of-Government-Today-Feb-2012.pdf	Finance	Sub-Saharan Africa
Colombia	Rent government facilities for education	Universities can rent government facilities in the evening and at weekends at low cost	Government	2012	Interview with Uniminuto, see Gradl and Peters (2013). Policy Note on Inclusive Business Policies Recommendations for Governments and Donors	Education	Latin America
India	Identification Cards	Initiative aims to provide all residents with identification documents to allow for efficient delivery of welfare services and for use in monitoring government programmes and schemes	Unique Identification Authority of India	2009	http://uidai.gov.in/	ICT	Asia

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COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
ENCOURAGING							
AWARDS (INFORMATION)							
India	Millennium Alliance	Inclusive platform to identify and scale innovative solutions to development challenges that will benefit base of the pyramid populations	Department of Science and Technology	2012	www.millenniumalliance.in/	Cross-sectoral	Asia
OBLIGATORY INCLUSION (RULES)							
India	Obligations of Insurers to Rural or Social Sectors	Obligation for insurers to provide poor people in rural India with insurance coverage	Insurance Regulatory and Development Authority	2000	www.irda.gov.in/ADMINCMS/cms/frmGeneral_NoYearList.aspx?DF=RL&mid=3.2.1	Finance	Asia
India	Priority sector lending	Regulation requiring a certain percentage of lending to underserved markets	Reserve Bank of India	1965	http://rbi.org.in/scripts/FAQView.aspx?Id=87	Finance	Asia
South Africa	Financial Sector Charter for Black Economic Empowerment	Voluntary commitment to improving access to finance for historically disadvantaged population	Government; Department of Trade and Industry	2004	www.thedti.gov.za/economic_empowerment/docs/beecharter/Financial_sector_code.pdf	Finance	Sub-Saharan Africa
LEGAL FORMS FOR BUSINESSES WITH SOCIAL MISSION (RULES)							
Philippines	"Magna Carta" for Social Enterprises	Proposed legislation focusing on enterprises with the poor as primary stakeholders	Government	2012	www.pef.ph/phocadownload/Social-Enterprise-Bill_HB-6085.pdf	Cross-sectoral	Asia
South Africa	Integrated Strategy on the Development and Promotion of Co-operatives	Legislations and implementation strategies to create an enabling environment for an autonomous co-operatives movement	Department of Trade and Industry	2012	www.dti.gov.za/economic_empowerment/docs/coops/legis_policy/coop-strategy.pdf	Cross-sectoral	Sub-Saharan Africa
FINANCIAL SUPPORT (FINANCIAL RESOURCES)							
Brazil	Subsidy Programme for Rural Insurance Premium	Programme incentivises insurers to enter the agricultural market, thus providing rural producers protection against crop failure risks	Office of Agricultural Policy; Brazilian Ministry of Agriculture, Livestock and Food Supply	2010	www.swissre.com/latin_america/subsidy_rural_insurance_premiums_brazil.html	Agriculture	Latin America
Brazil	Programa Nacional de Produção e Uso de Biodiesel	Subsidies and tax breaks that encourage biodiesel producers to purchase a portion of their oil seed from family farms	Government	2004	http://portal.mda.gov.br/portal/saf/programas/biodiesel/2286217	Energy	Latin America
China	Public funding for agricultural waste company	Government-supported agri-waste company helps solve agricultural waste problems	Local government	2006	www.growinginclusivemarkets.org/media/cases/China_BeijingShengchang_2011.pdf	Waste	Asia
India	Rajiv Gandhi Grameen Vidutikaran Yojana	National scheme for rural electrification includes subsidies for service providers	Ministry of Power	2005	http://rggvy.gov.in/rggvyportal/index.html	Energy	Asia
India	Bachat Lamp Yojana	Government programme to reduce the cost of energy-saving lights sold to consumers by bridging the price difference through the sale of certified emission rights under the Clean Development Mechanism of the Kyoto Protocol	Bureau of Energy Efficiency in India's Ministry of Power	2009	http://pib.nic.in/newsite/erelease.aspx?relid=47970	Energy	Asia



COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
India	India Inclusive Innovation Fund	Fund finances innovative enterprises focusing on the bottom of the pyramid	National Innovation Council	2013	www.innovationcouncil.gov.in/index.php?option=com_content&view=article&id=52&Itemid=34	Cross-sectoral	Asia
India	Bharat Rural Livelihood Foundation	Foundation to promote economic and social empowerment by supporting developmental activities in watershed management, dairy, fisheries and agriculture	Union Rural Development ministry	2012	http://pibmumbai.gov.in/English/PDF/E2012_MC14.PDF	Cross-sectoral	Asia
India	Rural Innovation Fund	Fund to support innovative, risk friendly, unconventional experiments in farming, non-farming and microfinance sectors with the potential to promote livelihood opportunities and employment in rural areas	National Bank for Agriculture and Rural Development	2009	www.nabard.org/english/rif_faqs.aspx	Cross-sectoral	Asia
India	Micro Venture Innovation Fund	Extends financial support to grassroots innovators under a single signature on a simple agreement of understanding without any collateral or a guarantor	National Innovation Foundation India	2003	www.nif.org.in/bd/about/mvif	Cross-sectoral	Asia
India	Technopreneur Promotion Programme	Mechanism supports individual innovators in becoming technology-based entrepreneurs	Ministry of Science and Technology, Department of Scientific and Industrial Research	1998	http://oscar.iitb.ac.in/TEPP/moreabtepp.do	Cross-sectoral	Asia
Kenya	Universal Service Fund	Fund for universal access to ICT sector, established by Part IX of the Kenya Communications Amendment Act	Universal Service Advisory Council	2009	www.cck.go.ke/links/consultations/current_consultations/Implementation_of_USF_Consultation_Paper_No._1.pdf	ICT	Sub-Saharan Africa
Kenya	Kilimo Biashara	Agriculture credit guarantee scheme underwrites financial institution lending, allowing them to advance loans to farmers at an interest rate of 10%	Ministry of Agriculture	2012	www.kilimo.go.ke/index.php?option=com_content&view=article&id=353:agriculture-ministry-signs-credit-guarantee-agreement-with-finance-institutions&catid=349:news&Itemid=46	Agriculture	Sub-Saharan Africa
Mali	Subsidies for rural electrification	Subsidies and change of institutional framework for rural energy provision in Mali	Government; Malian Agency for the Development of Household Energy and Rural Electrification	2004	www.africa-platform.org/sites/default/files/resources/mali_rural_electrification.pdf	Energy	Sub-Saharan Africa
Mexico	Credit guarantees	Credit guarantees for financial intermediaries lending to agricultural producers and other rural enterprises	Fideicomisos Instituidos en Relacion con la Agricultura (Trust Funds for Rural Development)	1954	www.fira.gob.mx/Nd/GarantiaFira.jsp	Agriculture	Latin America
Nigeria	Agricultural Credit Guarantee Scheme Fund	Guarantees banks up to 75% of the amount of credit extended to farmers	Central Bank of Nigeria	1973	www.cenbank.org/devfin/acgsf.asp	Agriculture	Sub-Saharan Africa
Peru	Law 29482 Promotion Act for the Development of Productive Activities in High Andes	All investments generating work opportunities in provinces above 2,500 metres are exempt from tariffs and taxes for an initial term of 10 years	Government	2009	www2.produce.gob.pe/RepositorioAPS/1/er/PROPEC-CA_OTRO/marco-legal/1.4.%20PEr%20LewyPromDesActiv-ProduzAltoandin.pdf	Cross-sectoral	Latin America
South Africa	Infrastructure support for radio stations	Government provides private community radio operators with equipment to foster broadcasting to remote communities	Department of Communications	1994	www.sanews.gov.za/south-africa/govt-biggest-supporter-community-radio	ICT	Sub-Saharan Africa



COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
South Africa	Jobs Fund	Fund designed to support innovative proposals from existing companies leading to job creation and systemic change within the South African economy	Ministry of Finance; Development Bank of Southern Africa	2011	www.jobsfund.org.za/about.aspx	Cross-sectoral	Sub-Saharan Africa
PUBLIC PROCUREMENT (FINANCIAL RESOURCES)							
Brazil	Programa de Aquisição de Alimentos	Purchase guarantee for specific products and prices for small-holder farmers as part of the national food security strategy	Government	2003	www.mds.gov.br/segurancaalimentar/aquisicao-e-comercializacao-da-agricultura-familiar	Agriculture	Latin America
India	Public Procurement Policy for Micro and Small Enterprises Order	Preferential procurement policy for small-scale firms	Central and State Governments, Ministry of Micro, Small and Medium Enterprises, Khadi and Village Industries Commission	2012 (other policies in place since 1947)	http://pib.nic.in/newsite/erelease.aspx?relid=77047	Cross-sectoral	Asia
Nigeria	Ad-hoc public procurement support	Ministry purchased pot-in-pot cooling systems for distribution to female beneficiaries in the rural areas	Ministry of Women Affairs	~1995	http://growinginclusivemarkets.com/media/cases/Nigeria_PotInPot_2011.pdf	Manufacturing	Sub-Saharan Africa
Philippines	Presidential Memorandum No. 25	Presidential memorandum mandating the use of cocofibre products in all government infrastructure projects to foster domestic demand	Office of the President	2002	http://growinginclusivemarkets.org/media/cases/Philippines_CocoTech_2008.pdf	Manufacturing	Asia
Philippines	Water for the Poor Communities	Programme mandating water supply for poor communities by a private water provider as part of a concession agreement	State-owned Metropolitan Waterworks and Sewerage System	1997	www.unescap.org/pdd/prs/ProjectActivities/Ongoing/Water/TPSB/TPSB_MR.pdf	Water and Sanitation	Asia
South Africa	Preferential Procurement Policy Framework Act	Preferential procurement strategy	Government, Department for Trade and Industry	2003	www.acts.co.za/preferential-procurement-policy-framework-act-2000/	Cross-sectoral	Sub-Saharan Africa
DEVELOPMENT PARTNERSHIPS (STRUCTURE AND CAPACITY)							
Belarus	Telemedicine Belarus	Partnership targeting the removal of regulatory barriers and improvements to health provision in remote areas through telemedicine services	Ministry of Health of Belarus; UNGC Belarus	2008	http://growinginclusivemarkets.org/media/cases/Belarus_MTS_2010.pdf	Health	Eastern Europe
Bolivia	Water for All (Agua para Todos)	Partnership between local communities and commercial enterprise that designs and constructs water distribution systems	Government; local communities (water committees); SEMAPA (official municipal water supplier)	2000	www.seedinit.org/en/best-practices-and-policy/case-studies.html	Water and Sanitation	Latin America
Botswana	The African Comprehensive HIV/AIDS Partnerships	Partnership between the government of Botswana, the Bill & Melinda Gates Foundation, and MSD/Merck Company Foundation that is committed to enhancing Botswana's national response to HIV/AIDS	Government	2000	www.achap.org	Health	Sub-Saharan Africa
China	Ericsson Education programme	Development of a complete ecosystem to manage the development and distribution of interactive learning content via low-cost basic mobile phones	Ministry of Education	~2009	www.gsma.com/mobilefordevelopment/wp-content/uploads/2012/04/mlearningplatformforeducationalopportunitiesatthebaseofthepyramid.pdf	Education	Asia



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COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
Egypt	Automated Clearing House for Egypt	Partnership between GiroNil and Egypt's Central Bank offering banking services to those in Egypt who are otherwise underserved	Ministry of Finance; Egyptian Banks Company; Central Bank of Egypt	2005	www.egyptianbanks.com/services/egach.aspx , http://cases.growinginclusivemarkets.org/documents/65	Finance	North Africa
Egypt	Integration project of Pathfinder International	Partnership to strengthen health sector and integrate communities	Ministry of Health and Population	2006	www.pathfinder.org/publications-tools/pdfs/Integrating-Communities-into-the-Health-System-The-Takamol-Project-Summary-Review.pdf	Health	North Africa
Ethiopia	EthioPEA Alliance	Government, PepsiCo and USAID partnership aiming to increase chickpea exports and availability of more nutritious foods in Ethiopia	Ethiopian Agricultural Research Institute, Ethiopian Agriculture Transformation Agency	2012	http://ethiopia.usaid.gov/programs/feed-future-initiative/projects/ethiopea-alliance	Agriculture	Sub-Saharan Africa
India	Partnership and grants for public toilets	Partnership between (municipal) governments and social-service organisation Sulabh to build toilets in public places	Municipal and state governments	1970	http://growinginclusivemarkets.org/media/cases/India_Sulabh_2008.pdf	Water and Sanitation	Asia
India	Tirupur Area Development Programme	Public-private partnership to construct and operate the infrastructure required to provide good quality water to the Tirupur industries	Government of Tamil Nadu	1997	http://cases.growinginclusivemarkets.org/documents/77	Water and Sanitation	Asia
India	Gramin Suvidha Kendra	An inclusive business model providing farmers all pre- and post-harvest services that reaches farmers through India Post's network of over 155,000 post offices across the country	Post India; Gramin Suvidha Kendra	2006	http://gsk.mcxindia.com/AboutGSK.htm	Agriculture	Asia
Kenya	Land-lease for Ikotoilets	Municipal councils across Kenya to provide land for Ikotoilets and facilitate the build - operate-transfer model	Ministry of Public Health and Sanitation; Municipal authorities; National Environment Management Authority	2005	http://growinginclusivemarkets.org/media/cases/Kenya_Ecotact_2011.pdf	Water and Sanitation	Sub-Saharan Africa
Kenya	Financial Sector Deepening	Coordinated initiative to deepen financial markets, working with a variety of actors at all levels of business	Government; DFID	2005	www.fsdkenya.org/	Finance	Sub-Saharan Africa
Kyrgyzstan	Community-based tourism	Public-private ecotourism programme on the local level, promotes sustainable ecotourism and generates incomes for rural families	Local authorities; State Agency for Tourism	2000	www.cbtkyrgyzstan.kg/index.php/en/	Tourism	Central Asia
Mongolia	Global Partnership on Output-Based Aid	Partnership programme providing herders in remote areas of Mongolia ICT access	Government; World Bank	2006	www.gpoba.org/node/114	ICT	Central Asia
Morocco	Global Rural Electrification Programme	Project aiming to bring electricity to people in remote areas	National Electricity Office	1994	www.finances.gov.ma/portal/page?_pageid=93,17858042&_dad=portal&_schema=PORTAL&id=415&lang=En	Energy	North Africa
Morocco	International Initiative for Human Development	Comprehensive development programme targeting good governance at the local level and the provision of basic needs among Morocco's poorest and most vulnerable groups	King Mohammed VI; Ministries; local administration	2005	www.indh.gov.ma/fr/index.asp	Cross-sectoral	North Africa
Nepal	International Development Enterprise	Partnership between International Development Enterprise and government providing low-cost irrigation technologies and knowledge of farm management to poor farmers	Government; Ministry of Agriculture	1992	http://cases.growinginclusivemarkets.org/documents/79	Agriculture	Asia

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COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
Philippines	Public-Private Partnership under Malaria Control Programme	Partnership aims to facilitate the participation and assistance of corporate and business partners in order to augment local malaria control programme resources	Government, Department of Health	~2006	http://mdgpolicy.net.undg.org/ext/MDG-Good-Practices/mdg6/MDG6C_The%20Philippines_Bolstering_and_Sustaining_Malaria_Control_through_Corporate-Public_Partnership.pdf	Health	Asia
Rwanda	TRACnet	Partnership initiative to improve communication between remote HIV/AIDS clinics and administrative centres	Ministry of Health and CDC, National Institute of Statistics	2004	http://moh.gov.rw/english/wp-content/uploads/2012/05/MOH_Annual_booklet-2011.pdf	ICT	Sub-Saharan Africa
Tanzania	SAGCOT	Multi-stakeholder agricultural partnership to improve agricultural productivity, food security and livelihoods in Tanzania	Government	2011	www.sagcot.com/home/	Agriculture	Sub-Saharan Africa
Tanzania	SMS for Life	Partnership improving access to malaria medicine by using SMS and electronic mapping technology to track weekly stock levels of medicine at public health facilities	Ministry of Health and Social Welfare	2009	www.rbm.who.int/psm/smsWhatIsIt.html	ICT	Sub-Saharan Africa
Zambia	National Malaria Strategic Plan	Facilitates research and education efforts; promotes partnerships between National Malaria Control Centre and a broad range of private and institutional actors	National Malaria Control Centre; Department of Public Health and Research; Ministry of Health	2006	www.nmcc.org.zm/index.htm	Health	Sub-Saharan Africa

EMPOWERING

AWARENESS-RAISING (INFORMATION)

Brazil	Government tourism campaign	Government marketing campaign to promote tourism had adverse effects (rise in sex-tourism)	Ministry of Industry & Commerce; EMBRATUR	1980s	http://onlinelibrary.wiley.com/doi/10.1111/j.1467-6486.2012.01044.x/pdf	Tourism	Latin America
South Africa	Thusong Service Centre	Programme initiated as a vehicle for the implementation of development communication and information, and to integrate government services into primarily rural communities	Government	1999	www.thusong.gov.za/about/history/index.html	Cross-sectoral	Sub-Saharan Africa

LEGAL FRAMEWORK FOR MARKET PARTICIPATION (RULES)

Albania	Legislation change	Changes made to the legislative framework, allowing waste recycling companies to pay small suppliers in cash, which was previously illegal	Government	~2000s	http://growinginclusivemarkets.org/media/cases/Albania_Edipack_Caselet_2010.pdf	Waste	Eastern Europe
Brazil	Business formalisation	Revised framework for bank agents, permitting them to open accounts and accept withdrawals, deposits, and bill payments; Also increased banking services for unbanked populations, particularly in rural regions	Central Bank of Brazil	1999	http://egateg.usaid.gov/resources/539	Finance	Latin America
Brazil	Conta simplificada	Simplified bank account	Conselho de Controle de Atividades Financeiras	2004	www.bb.com.br/portallbb/pages6,8900,8907,0,0,1,0,bb?codigoNoticia=7535	Finance	Latin America
Brazil	National Solid Waste Policy	Policy mandating that recyclers should be included in municipal recycling programmes, thereby promoting cooperatives and federal incentives	Ministry of Environment	2010	www.epa.gov/jius/policy/brazil/brazilian_national_solid_waste_policy.html	Waste	Latin America



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COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
Chile	Online platform "Your Company in One Day"	New online platform created by law, allowing entrepreneurs to register as a formal business in one day, with one step and at zero cost	The Chilean Economic Development Agency	2013	www.english.corfo.cl/press-room/news/new-online-portal-allows-entrepreneurs-to-create-a-new-business-in-one-day	Cross-sectoral	Latin America
Colombia	Law 70 of Colombia	National legislation to empower Afro-Colombian descendants; recognises their right to collectively own and occupy their ancestral lands	Government	1993	www.benedict.edu/exec_admin/intnl_programs/other_files/bc-intnl_programs-law_70_of_colombia-english.pdf	Natural Resource Management	Latin America
Colombia	Law 1064 on Vocational Training	The law recognised vocational training as a driving feature of human development and placed this issue under the auspices of the Ministry of Education	Congress of Colombia	2006	www.mineducacion.gov.co/1621/articles-104704_archivo_pdf.pdf	Education	Latin America
India	97th Constitutional Amendment Act on Cooperatives	Removed legislative hurdles to the formation of a cooperative by establishing this as a fundamental right	Government	2012	www.irma.ac.in/institute/doc/wr7.pdf	Cross-sectoral	Asia
India	New Land Use Policy	Policy framework to develop and provide all farmers in the state suitable, permanent and stable trade	State government of Mizoram	2011	http://nlup.mizoram.gov.in/	Cross-sectoral	Asia
Indonesia	Land titling after 2004 tsunami	Government has developed a new land concession scheme and regulations for construction	Government	2005	http://cases.growinginclusivemarkets.org/documents/73	Cross-sectoral	Asia
Kenya	Microfinance Act	Establishes regulatory oversight and capital adequacy requirements for deposit-taking microfinance institutions	Government and the Central Bank	1999	www.centralbank.go.ke/index.php/bank-supervision/microfinance-institutions	Finance	Sub-Saharan Africa
Kenya	Banking Circular 2 – Guideline on Agent Banking	Regulation allowing financial institutions to contract third parties for banking service provision in order to accelerate financial inclusion	Central Bank	2010	www.centralbank.go.ke/images/docs/banking-circulars/2010/banking-circular%202010%20of%202010%20-%20guidelines%20on%20agent%20banking.pdf	Finance	Sub-Saharan Africa
Mexico	Simplification of Know-Your-Customer (KYC) procedures	Lowered requirements for identification (as previously required by anti-money laundering law) of low income- bank customers to promote financial access	Government	na	www.cgap.org/blog/bold-move-toward-simplifying-amlcft-lessons-mexico	Finance	Latin America
Namibia	Flexible Land Tenure Act	Aims to redistribute and formalise property rights in order to create economic opportunities and empower poor people victimised by colonial expropriation	Government; Ministry of Lands, Resettlement and Rehabilitation	2012	www.alan.org.na/sites/default/files/Flexible%20Land%20Tenure.pdf	Natural Resource Management	Sub-Saharan Africa
Nepal	Resource rights to community forest user groups	Grants local resource rights through a series of policies (e.g., Master Plan for the Forestry Sector 1989, Forest Act 1993 and Forestry Sector Policy of 2000); encourages participation of locals in managing production and distribution of forest products	Government	1989	http://pdf.wri.org/green_economy_compilation_2011-02.pdf	Natural Resource Management	Asia
Pakistan	Revision of 2008 Branchless Banking Regulation	Revision relaxes earlier regulation, removes costly biometric fingerprint registration requirement for decentralised banking agents, and lowers balance and transaction limits	Government and State Bank of Pakistan	2011	www.cgap.org/sites/default/files/CGAP-Brief-Branchless-Banking-in-Pakistan-A-Laboratory-for-Innovation-Oct-2011.pdf	Finance	Asia

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COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
Paraguay	General Law 1614/00 of 2000: A Regulatory and Tariff Framework for Drinking Water and Sanitation	Legal framework to formalise small-scale water suppliers	Government; Water and Sanitation Directorate	2002	www.idrc.ca/Documents/105185-The-Silent-Partner-book.pdf ; http://web.mit.edu/urbanupgrading/upgrading/case-examples/ce-py-agu.html	Water and Sanitation	Latin America
Philippines	Circular 471 for the Banking Sector	Regulation enables retail agents to acquire accreditation to perform CDD/KYC checks	Central Bank	2005	www.bsp.gov.ph/regulations/regulations.asp?type=1&id=116	Finance	Asia
Thailand	Land titling project	Project designed to improve land administration capacity of Department of Lands	Royal Thai Government	1997	http://info.worldbank.org/etools/docs/reducingpoverty/case/101/fullcase/Thai%20Land%20Titling%20Full%20Case.pdf	Natural Resource Management	Asia
Uganda	Microfinance Deposit-Taking Institutions Act	Microfinance support legislation; startup capital requirement for MFIs was set lower than that for banks and credit institutions	Government; Central Bank	2003	http://mra.gov.bd/conference/images/speakers/justine%20bagyenmda-%20uganda.pdf	Finance	Sub-Saharan Africa
END-USER SUBSIDIES (FINANCIAL RESOURCES)							
Brazil	Minha Casa Minha Vida Programme	Social housing scheme, through which the government funds construction for new homes	Government	2009	www.caixa.gov.br/habitacao/mcmv/	Housing	Latin America
Egypt	National Housing Programme	Established to utilise private-sector capabilities in constructing integrated housing communities for the poor; provides private developers with cheap land, and buyers of units with fixed subsidies	Government; Ministry of Housing, Utilities and Urban Development	2005	www.moh.gov.eg/en/en_design/Default_en.aspx	Housing	North Africa
India	National Mission on Micro-Irrigation	Farmers working less than five hectares of land receive a 50% subsidy on micro-irrigation system equipment	Government	2010	www.indg.in/agriculture/rural-employment-schemes/national-horticulture-mission/national-mission-on-micro-irrigation-nmmi	Water and Sanitation	Asia
Kenya	National Agricultural Accelerated Input Access Programme	National programme to tackle food security issues by increasing agricultural productivity; includes Kilimo Plus (starter pack) and Kilimo Biashara (Agriculture Credit Guarantee Scheme)	Government	2007	www.kilimo.go.ke/index.php?option=com_content&view=article&id=373:naaiap-impact-on-farmers-in-104-districts&catid=149:news&Itemid=46	Agriculture	Sub-Saharan Africa
Kenya	Reproductive Health Output-Based Aid Voucher Program	Performance-based reproductive health programme to incentivise access to women's health care in the areas of motherhood, clinical family planning and gender violence recovery services	Ministry of Health	2005	http://healthmarketinnovations.org/program/kenya-output-based-aid-voucher-program	Health	Sub-Saharan Africa
Kenya	Jua Kali	Financial support to trainees through training subsidies and access to credit	Ministry of Research, Technical Training and Technology	1996	http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079934475/547667-1135281552767/Jua_Kali_Pilot_Voucher_Program.pdf	Education	Sub-Saharan Africa
Kenya	Technical and Vocational Vouchers Programme	Individuals are invited to apply (and are then randomly selected) for a tuition voucher	Government	2008	http://siteresources.worldbank.org/INT/HDOFFICE/Resources/VocEd_SIEF_Report_2011-04-07_final.pdf	Education	Sub-Saharan Africa
Mexico	Affordable housing subsidy (Éstas tu casa)	Housing funding scheme for poor people	Ministry of Agrarian, Territorial and Urban Development	2007	www.conavi.gob.mx/estas-tu-casa	Housing	Latin America

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COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
Mexico	INFONAVIT and FOVISSSTE	Public savings programmes helping individuals finance affordable homes	Government	1973	www.mzweb.com.br/homexri/web/arquivos/Fovissste.pdf http://portal.infonavit.org.mx/wps/wcm/connect/infonavit/inicio	Housing	Latin America
South Africa	National Housing Subsidy Programme	Housing funding scheme for people earning ZAR 3,500 or less per month	Housing Development Agency	1994	www.southafrica.info/about/social/govhousing.htm#Ug3uqUBtXgl	Housing	Sub-Saharan Africa
Tanzania	Voucher Scheme for Subsidised Mosquito Nets	Hospitals provide pregnant women vouchers for subsidised mosquito nets	Ministry of Health	2004	www.dw.de/mosquito-nets-laced-with-insecticide-help-tanzania-lower-malaria-rates/a-16998413	Health	Sub-Saharan Africa
INSURANCE SCHEMES (FINANCIAL RESOURCES)							
Brazil	Garantía Safra Crop Insurance	Insurance scheme focused on crops that are typically grown on family farms	Government	2004	http://portal.mda.gov.br/portal/saf/programas/garantiasafra	Finance	Latin America
Ghana	National Health Insurance Scheme	Includes a District Mutual Health Insurance Scheme that provides all Ghanaian citizens equal access to the functional structures of health insurance	National Health Insurance Authority	2003	www.nhis.gov.gh/	Finance	Sub-Saharan Africa
India	Yeshasvini Cooperative Farmers Health Scheme	Government-subsidised micro-insurance scheme that partners with cooperative structures	Karnataka State Department of Cooperation for Cooperative Rural Farmers and Informal Sector Workers	2003	www.ilo.org/wcmsp5/groups/public/-ed_emp/documents/publication/wcms_122476.pdf	Finance	Asia
India	Rajiv Aarogyasri Health Insurance Scheme in Andhra Pradesh	Health insurance for the underprivileged in the Indian state of Andhra Pradesh	Government of Andhra Pradesh	2007	http://indiagovernance.gov.in/bestpractices.php?id=403	Finance	Asia
India	Rashtriya Swasthya Bima Yojna	National health insurance programme for families below the poverty line	Government; Ministry of Labour and Employment	2008	www.rsby.gov.in/about_rsby.aspx	Finance	Asia
Malawi	Index based crop insurance	Pilot drought insurance scheme for groundnut farmers	Government, donor agencies	2005	http://unfccc.int/cooperation_support/response_measures/items/4971.php	Finance	Sub-Saharan Africa
Mexico	Agroasemex	AGROASEMEX	Both a national insurance organisation and development agency providing reinsurance for insurance organisations and advancing the involvement of private and social agents in the farming insurance market	1990	www.agroasemex.gob.mx/	Finance	Latin America
Mongolia	Index-Based Livestock Insurance	Insurance scheme protecting Mongolian farm herders against livestock loss due to extreme cold winter	Government, donor agencies	2005	https://openknowledge.worldbank.org/bitstream/handle/10986/2432/538810PUB0Gove101Official0UseOnly1.pdf?sequence=1	Finance	Central Asia
Philippines	Insurance Code (Presidential Decree No. 1460)	The code allows cooperatives providing insurance to also register for insurance purposes	Insurance Commission	1978	www.microinsurancenet-work.org/file/9_Philippines_Impact_RSP_2009.pdf	Finance	Asia





COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
Rwanda	Mutuelles de Sante	Community based health insurance system that provides poor people access to the health care system; government subsidies help limit subscribers' premium contributions, which comprise only 50% of the programme's funding	Ministry of Health; donor agencies	2002	www.jointlearningnetwork.org/content/mutuelles-de-sante	Finance	Sub-Saharan Africa
MICROBUSINESS SUPPORT (STRUCTURE AND CAPACITY)							
Chile	Supplier development programme	Support SMEs in supplying larger companies through capacity-building and a matching website	The Chilean Economic Development Agency		http://link.springer.com/article/10.1007%2Fs11187-012-9428-x#page-1	Cross-sectoral	Latin America
Brazil	SEBRAE/ Serviço Brasileiro de Apoio às Micro e Pequenas Empresas	This institution supports the development of small and micro-businesses in Brazil	Government	1972	http://thebrazilbusiness.com/article/introduction-to-sebrae	Cross-sectoral	Latin America
Colombia	CEMPRENDE	These local-level centres are designed to facilitate sustainable businesses and create employment, and are part of Colombia's inclusive economic development strategy	Government; UNDP; local authorities	2009	www.cccartagena.org.co/emprende/	Cross-sectoral	Latin America
Ghana	Ghana Center for Entrepreneurship, Employment and Innovation	Support Center initiated by the Government to promote entrepreneurship and job creation, both in formal and informal economy	Ministry of Finance and Ministry of Trade and Industry	2011	www.gceei.org/index.html	Cross-sectoral	Sub-Saharan Africa
Mexico	Productive Supply Chains (Cadenas Productivas)	Provides support for small business development through improved access to credit and capacity-building	Development Banking Institution Nacional Financiera	2007	www.nafin.com/portalfn/content/home/cadenas-productivas.html	Cross-sectoral	Latin America
Morocco	Maroc Moudarates	Programme enabling the development of microbusinesses through financial support, capacity-building and mentoring	Social Development Agency	2008	www.ads.ma/fileadmin/AdsDocutheque/FrDocuments/ADS_Rap_Activites_2011_Fr.pdf	Cross-sectoral	North Africa
Namibia	Namibia Business Innovation Center	Founded by Namibia Polytechnic with international support, the government is now a key partner in developing policy strategies to create a supporting environment for entrepreneurs	Government	2009	http://issuu.com/nbicnamibia/docs/entrepreneurship	Cross-sectoral	Sub-Saharan Africa
South Africa	Incubation Support Programme (ISP)	Aims to ensure that small, micro and medium enterprises (SMMEs) graduate into the mainstream economy through the support provided by the incubators	Department of Trade and Industry	2012	http://led.co.za/led-programme/incubation-support-programme-isp	Cross-sectoral	Sub-Saharan Africa
CAPACITY-BUILDING (STRUCTURE AND CAPACITY)							
Cambodia	Artisans d'Angkor	Initiated as a government funded project to provide disadvantaged rural youth with vocational training and decent jobs, now fully self-sustained	Ministry of Education, Youth and Sports	1999	www.artisansdangkor.com/angkor-artisans-1-historical-background.php	Education	Asia
Ecuador	PRONERI	National programme promoting inclusive business in rural areas	Ministry of Agriculture and Livestock	2010	www.agricultura.gob.ec/proneri/	Cross-sectoral	Latin America





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COUNTRY	NAME	DESCRIPTION	LEAD AGENCY	YEAR INITIATED	FURTHER INFORMATION	SECTOR	REGION
Ethiopia	Farmer training centres	Demonstrates new technologies, modern planting techniques, and trains farmers in new methods	Ethiopian Agricultural Transformation Agency	2012	www.ata.gov.et/ www.thisisafricaonline.com/Analysis/Commercialising-smallholder-production?ct=true#.UNH28NvBE24.twitter	Agriculture	Sub-Saharan Africa
Ethiopia	Rural Capacity-Building Project	Project aims to strengthen agricultural services and systems for improved agricultural productivity, make them more responsive to clients' needs, economically viable and environmentally sustainable	Government; Ethiopian Institute of Agricultural Research	2006	www.eiar.gov.et/index.php?option=com_content&view=article&id=9:rural-capacity-building-project&catid=1:projects&Itemid=3	Agriculture	Sub-Saharan Africa
Guatemala	Sustainable Rural Communities	Pro-poor business approach to increasing agricultural sector competitiveness; promotes new farming practices to increase access to international markets	Ministry of Agriculture	2004	http://growinginclusivemarkets.org/media/cases/Mexico_Amanco_2008.pdf	Agriculture	Latin America
Indonesia	Training for taxi drivers	Government departments provide specialised training for poorly trained drivers	Department of Transportation, Police, Department of Health	2006	http://growinginclusivemarkets.org/media/cases/Indonesia_Rajawali_2008.pdf	Education	Asia
Indonesia	Education and Skills Training for Youth Employment in Indonesia	Project partnership to improve capacity of youth and eliminate child labour	Dutch government, ILO	2006	www.ilo.org/jakarta/whatwedo/projects/WCMS_116125/lang-en/index.htm	Education	Asia
Morocco	Emploi Habilité	Programme aims to equip disadvantaged youth in Morocco with technical and life skills and to place them in tourism sector jobs	IYF, Ministry of Tourism, Silatech	2010	www.silatech.com/home/project-countries/morocco	Tourism	North Africa
Nigeria	Kwara State Agricultural Development Programme	Provides agricultural technologies to more than 280,000 farm families; supplies agricultural input and rural infrastructural facilities such as rural feeder roads, water supply, irrigation facilities and processing equipment	Ministry of Agriculture and Natural Resources	1989	www.kwadp.org/site/index.php/current-programmes/rice-initiatives	Agriculture	Sub-Saharan Africa
Tanzania	Implementation support and capacity-building for woodlot management	Programme under CC DARE to improve natural resource management and empower local communities	Tanzanian authorities and local communities, assisted by UNEP	2009	www.unep.org/greeneconomy/SuccessStories/WoodlotManagementinTanzania/tabid/29893/language/en-US/Default.aspx	Natural Resource Management	Sub-Saharan Africa
Tanzania	Kilimo Kwanza	holistic approach to address challenges in the agricultural Sector	Government; Agricultural Council of Tanzania	2009	http://tanzaniaembassy.be/joomla/index.php/about-tanzania/the-economy/kilimo-kwanza	Agriculture	Sub-Saharan Africa
Trinidad and Tobago	Government training programme for tourism development	Government-facilitated staff training programmes for local eco-tourism company, Mt Plaisir	Ministry of Tourism	2005	www.tdc.co.tt/who_we_are.htm	Tourism	Latin America

Further reading

The literature on inclusive business as well as on policy instruments is vast. The list below provides some key references for further reading.

Online publications are cited only with the author(s), year and title. To find these publications, this information simply has to be entered into a standard search engine.

General reports on Inclusive Business

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UNDP (2010). **The MDGs: Everyone's Business. How inclusive business models contribute to development and who supports them.** New York: UNDP.

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Christopher C. Hood. and Helen Z. Margetts (2007): **The Tools of Governments in the digital age.** London: Palgrave Macmillan..

Charles E. Lindblom and Edward J. Woodhouse (1993): **The Policymaking Process.** Upper Saddle River, NJ: Prentice Hall.

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List of Abbreviations

ACCI	Adaptation to Climate Change and Insurance	IFOAM	International Federation of Organic Agriculture Movements
ACHAP	African Comprehensive HIV/AIDS Partnerships	ILO	International Labour Organisation
ADB	Asian Development Bank	INDH	International Initiative for Human Development
ANSPE	Agencia Nacional para la Superación de la Pobreza Extrema	IRDA	Insurance Regulatory and Development Authority
BEE	Black Economic Empowerment	IRDC	International Research and Development Centre
BMZ	German Federal Ministry of Economic Cooperation and Development	IRR	Internal rate of return
BoP	Base of the economic pyramid	MDG	Millennium Development Goals
CECODES	Colombian Business Council for Sustainable Development	MFI	microfinance institutions
CONNIC	CECODES' National Committee of Inclusive Business	MoCDM	Ministry of Cooperative Development and Marketing
CSO	Civil society organisations	MoHFW	Ministry of Health and Family Welfare
CSR	Corporate social responsibility	MoLE	Ministry of Labour and Employment
DFI	Development finance institutions	MSE	Micro and Small Enterprises
DFID	Department for International Development	MWSS	Manila Water Supply System
DNP	DPS and the National Department of Planning	NGO	non-governmental organisations
DPS	Department for Social Prosperity	NIC	National Innovation Council
DRC	Democratic Republic of the Congo	NIHD	National Initiative for Human Development
EDF	Electricité de France	NPO	Non-profit organisations
ERSSAN	Sanitary Services Regulation Agency (Paraguay)	PACS	Poorest Areas Civil Society
FLO	Fairtrade International	PPD	Public-private dialogues
FOSA	Front office service activity	PPP	purchasing power parity
FSC	Forest Stewardship Council	PRONAF	Programa Nacional de Fortalecimiento da Agricultura Familiar
FSD	Financial Sector Deepening	ROSCA	Rotating savings and credit associations
GDP	Gross Domestic Product	RSBY	Rashtriya Swasthya Bima Yojana
GIGA	German Institute of Global and Area Studies in Hamburg	SACCO	Savings and credit cooperative
GIIN	Global Impact Investment Network	SASRA	SACCO Societies Regulatory Authority
GIM	Growing Inclusive Markets	SIEF	Spanish Impact Evaluation Fund
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH	SME	Small and medium-sized enterprises
IADB	Inter-American Development Bank	SNA	State nodal agency
ICAITI	Central American Research Institute	SPI	Social Private Investment
ICT	information and communication technology	TRAC	Treatment and Research AIDS Centre
IDCC	Infectious-disease care clinics	UNDP	United Nations Development Programme
IE	eigennome Innovaecuador	UNEP	United Nations Environmental Programme
IFC	International Finance Corporation	UNGC	United Nations Global Compact
		USAID	United States Agency for International Development
		USAPAS	Drinking Water and Sanitation Unit (Paraguay)
		ZOLIP	Zonas Libres de Pobreza

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About the authors

Endeva's mission is to inspire and support enterprise solutions to the world's most pressing problems: making poverty a thing of the past and preserving ecosystems for the future. In our projects, we build, share and apply knowledge to develop, implement and grow inclusive business models. As an independent institute, we work closely with partners from all sectors. The people at Endeva share a passion for positive change and inspiring collaboration.

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Inclusive business policies are government decisions that directly support mutually beneficial business relationships between private-sector companies and poor people. Such policies can enable and encourage companies to include poor people in their value chains. They can also empower poor people to engage with companies.

This study provides a toolbox for policymakers to explore the universe of policy options for promoting inclusive business models. Based on a review of 158 existing examples, 19 concrete instruments have been identified, of which 11 are profiled in depth. Four detailed case studies reveal critical success factors and strategies for the policymaking process for inclusive business. Finally, the study provides recommendations for governments, donors, companies, civil society organisations and research institutions on how to advance this new and emerging field.