

Realizing Africa's Wealth –

Building Inclusive Businesses for
Shared Prosperity

A UNDP Africa Facility for Inclusive
Markets Report



*Empowered lives.
Resilient nations.*



This report was produced under the leadership, coordination and funding of **the African Facility for Inclusive Markets (AFIM)**. AFIM is a regional private-sector and inclusive market development programme focused on the issue of poverty reduction in Africa. Based in Addis Ababa, it operates as part of the UNDP Regional Bureau for Africa. Its objective is to accelerate progress towards achievement of the Millennium Development Goals (MDGs) by supporting the development of inclusive, pro-poor markets across Africa. AFIM works to build capacities within regional economic communities (RECs), governments, UNDP country offices and other stakeholders so as to support inclusive market and inclusive business development in the region. The initiative facilitates knowledge sharing, access to finance and the dissemination of best practices in seeking private-sector-led, market-driven solutions to problems of poverty reduction, environmental sustainability, post-conflict recovery and gender equality.

In conducting this research, AFIM was supported by the **UNDP Growing Inclusive Markets (GIM) Initiative**. GIM built on its expertise in inclusive business research to provide conceptual input and feedback. Conceived in 2006, GIM is a UNDP-led global multi-stakeholder research and advocacy initiative that seeks to understand, enable and inspire the development of more inclusive business models around the globe, thus helping to create new opportunities and better lives for people within the world's low-income communities. The research for this report built on the experiences and best practices established by the GIM's previous research efforts. In partnership with local researchers, GIM has produced 110 in-depth case studies on inclusive business, and has published a number of global, regional and national reports, including "Creating Value for All: Strategies for Doing Business with the Poor" and "The MDGs: Everyone's Business".

The **UNDP Regional Bureau for Africa Strategic and Advisory Unit** provided guidance and technical backstopping.



**Realizing Africa's Wealth –
Building Inclusive Businesses for Shared Prosperity**

A UNDP Africa Facility for Inclusive Markets Report



Foreword

from UNDP RBA

Note: The ToC will be designed like a navigation page to guide the reader through the content. Chapters will be color coded.
The Annex with case studies can be found in a separate file

About the report

This report is the first UNDP study to look specifically at inclusive businesses in sub-Saharan Africa and the region's inclusive business support systems, which will be referred to as "ecosystems" throughout this report. Methodologically, the report draws on four streams of data:

- **Case studies:** A total of 43 in-depth enterprise case studies written between 2008 and 2012, drawing on experiences within 16 sub-Saharan African countries, were analyzed for this report. Summaries are available in the annex.
- **Interviews:** Between May and October 2012, a total of 30 in-depth interviews were conducted with experts from regional companies and support institutions, along with other high-level experts.
- **Survey:** A database of 600 support institutions active in sub-Saharan Africa was compiled, and an online survey on the issue resulted in 100 detailed responses from interested parties. Contact information for the most important support institutions is provided in the annex.
- **Desk research:** Existing reports on inclusive business in sub-Saharan Africa and related themes were analyzed.

The research was grounded in a strictly empirical approach. It builds on insights generated in previous UNDP research, starting with a solid understanding of the broad constraints companies and organizations face within low-income markets, the generic solutions they use to address these constraints and the broad categories of support they receive.¹ Against this frame of reference, all data was analyzed to identify patterns characterizing inclusive businesses and their supporting institutions in sub-Saharan Africa. In particular, the research team sought to understand the challenges related to developing inclusive businesses, the scope of existing support structures, and the means by which the support landscape might be improved. Results were reviewed by and discussed with the members of the advisory board (see acknowledgements for the full list of members). Note that this report focuses on

¹ These insights have been elaborated in the following publications: UNDP (2008). *Creating Value for All*; UNDP (2010). *The MDGs: Everyone's Business*



sub-Saharan Africa. When referring to Africa as a continent, the term “Africa” is used.

Figure 1: Countries and Regional Economic Communities (RECs) in sub-Saharan Africa

In some cases, it proved to be difficult or even impossible to find data on a broad range of inclusive business support functions for all of sub-Saharan Africa. Rather than claiming to be comprehensive, this report thus aims to be a starting point in what is expected to be a continuous process of mapping, understanding and improving local support for inclusive business. It can thus serve as a basis for communication and coordination among actors in a number of different fields of work.



Executive summary: Building inclusive businesses - Realizing Africa's wealth

Africa's wealth lies primarily in its people – a young and growing population in search of opportunity. By enabling these individuals to engage in business, the private sector unleashes people's potential. Inclusive businesses integrate low-income people into their value chains, thus creating opportunities for this group in a targeted way. Africa has seen a lot of innovation and entrepreneurship to create such inclusive business approaches. Yet manifold constraints in the business environment mean these businesses often struggle to reach a larger scale. Supportive ecosystems that provide appropriate information, incentives, investment and implementation support can stimulate the development of more inclusive businesses with greater impact.

This report describes the status of inclusive business in sub-Saharan Africa and the ecosystems that support the enterprises and entrepreneurs behind this approach. It identifies promising opportunities to strengthen these ecosystems, thus enabling enterprises and entrepreneurs to build more and stronger inclusive businesses.

While enterprises are the drivers of inclusive businesses, entrepreneurship is required of all societal actors if the surrounding ecosystems are to be developed. Local support institutions are largely absent, and building them will make it considerably easier for inclusive businesses to flourish. By building inclusive business ecosystems, Africa's wealth can be realized, creating shared prosperity.

Sub-Saharan Africa is growing, but not everyone is sharing the benefits

Sub-Saharan Africa is today among the fastest-growing regions in the world. Though market conditions remain challenging in many places, regulatory frameworks and capital availability are improving, fuelling significant economic growth. However, many people remain excluded from the benefits of this growth, without access to basic goods and services or opportunities for employment and regular income.

Inclusive business creates profits and unleashes potential

Inclusive businesses integrate low-income individuals into value chains in various capacities, be it as consumers, producers, employees and entrepreneurs. Thus, they bring the benefits of growth directly to low-income communities. This is not charity.



Inclusive businesses create a strong foundation for profit and long-term growth by bringing previously excluded people into the marketplace. Low-income people gain access to opportunities for income, basic goods and services, and choice. Finally, inclusive businesses are often associated with “green” business practices that conserve resources and protect the environment.

Inclusive businesses offer a concrete means of achieving inclusive, green growth

Several prominent examples in sub-Saharan Africa demonstrate not only that this paradigm shift is possible, but that it can be both profitable and beneficial for a wide range of stakeholders. M-Pesa’s mobile money services, for instance, reach 15 million people in Kenya alone, and similar mobile money services have provided millions of Africans around the continent, including those in rural areas, with access to financial services.² Equity Bank provides 8 million customers in Kenya, Uganda, Tanzania, Rwanda and South Sudan with banking and credit services.³ South African brewer SAB Miller sources ingredients from around 50,000 smallholders in Zambia, Zimbabwe, South Sudan, Uganda, Mozambique and Tanzania.⁴

Local entrepreneurs are creating significant positive change. Nancy Abeiderrahmane created Mauritania’s dairy industry essentially from scratch. Today, Tiviski Dairy sources camel milk from more than 1,000 herders. In Kenya, David Kuria founded Ecotact as a social enterprise providing sanitation services. Ecotact’s Ikotoilets today serve nearly 50,000 slum dwellers. South Africa’s Eduloan, founded by Johan Wasserfal and Jan Kitshoff, aims to “unlock potential” among its client base, and has over time provided study loans to more than 600,000 tertiary-level students. Dozens of other examples of such inclusive businesses have been documented by the UNDP’s Growing Inclusive Markets Initiative and are available in its online database.⁵

Inclusive businesses need a supportive ecosystem

To overcome the challenging market conditions characteristic of low-income communities, inclusive businesses need a supportive environment. An inclusive

² Examples from the Growing Inclusive Market initiative’s case portfolio are not individually elaborated in the text. Please refer to the case study annex for summaries.

³ www.equitybankgroup.com

⁴ See interview in the “Supporting implementation” chapter.

⁵ www.growinginclusivemarkets.org.



business ecosystem refers to a network of interconnected, interdependent actors whose actions make it possible for inclusive businesses to succeed and generate impact at increasingly large scales.⁶ The Inclusive Business Ecosystem Diamond outlines the four primary functions required to support inclusive business.

Figure 2: Inclusive Business Ecosystem Diamond

- **Information** provides businesses with the awareness, knowledge, technology and know-how required to operate in low-income markets;
- **Incentives** provide businesses with the impetus to engage with low-income communities by rewarding positive externalities and reducing the cost of doing business;
- **Investment** provides the financial backing that enables businesses to venture into challenging low-income markets;
- **Implementation support** provides the logistics, transaction, marketing and communication, and micro-business support services that allow inclusive businesses to function in a variety of dynamic environments.

Companies, governments, development partners, civil society organizations (CSOs), research institutions and intermediaries all can contribute to strengthening each of the diamond's four functions. **This report calls on supporting institutions to demonstrate innovation and entrepreneurship in enhancing inclusive businesses environments.** Moreover, it demonstrates that this type of investment pays off in terms of poverty alleviation and sustainable development.

MSMEs drive Africa's inclusive business; strong economies lead the way

There are several examples of inclusive business in Africa today. Whereas successful examples can be found in all sectors, most are found in the agribusiness, energy, financial services and ICT sectors. And whereas the activities of large companies in low-income communities often attract the most attention, micro, small

⁶ Adapted from: Christina Gradl and Beth Jenkins (2011). Tackling Barriers to Scale – From Inclusive Business Models to Inclusive Business Ecosystems.



and medium-sized enterprises (MSMEs) in fact comprise the majority of successful cases identified in this report.

A relatively larger number of inclusive businesses can be found in countries that have shown sustained economic growth and solid governance systems. South Africa and Kenya thus emerge as leaders in the area of inclusive business, with entrepreneurs benefiting in some cases from explicit government support and dense support ecosystems.

More local support institutions are needed

In general, international actors are the dominant players in providing support to inclusive businesses in sub-Saharan Africa. This is hardly surprising, as the approach has been developed and strongly promoted on the international level. Public and private development partners in particular have promoted the inclusive business approach by providing funding, conducting research, raising awareness and providing ground-level support. In most countries, a local ecosystem of actors is only beginning to emerge. National governments are increasingly recognizing the potential held by inclusive business to contribute to inclusive growth, and are consequently seeking to reward the resulting social and environmental benefits. Business schools and think tanks are popularizing these new concepts within society, while research into and development of new solutions is increasingly taking place within local institutions. Recognizing the challenges they face, companies themselves often nurture their own supporting environment by encouraging entrepreneurship and spinning off new organizations, for instance to help build the capacities of small businesses and producers.

Nevertheless, potentially valuable local support institutions such as market research firms, credit bureaus, value chain facilitators, incubators and venture capital firms are absent at all levels. Building local support institutions could do much to facilitate the creation of inclusive businesses, and would reduce the cost for established enterprises when venturing into low-income markets.

Ecosystem-building initiatives show great promise

Creating the ecosystems that nurture inclusive businesses is a complex task. Various functions have to complement each other, and various actors need to collaborate in



order to provide them. Enterprises are the fundamental drivers of inclusive business, but innovation and entrepreneurship is required at all levels, from multilateral organizations to local CSOs, to enable and support enterprise efforts. Collaboration and cooperation are important if individual players' actions are to be effective. Building inclusive business ecosystems requires “collaborative entrepreneurship” in order to truly set competition within low-income markets free.

Ecosystem-building initiatives that coordinate actors at multiple levels have been particularly successful in creating inclusive business ecosystems. These initiatives coordinate an ecosystem's diverse actors so as to ensure that individual activities build on and reinforce each other. The three examples of ecosystem initiatives featured in this report's final chapter have each been able to reach millions of people. The Competitive African Cotton Initiative (COMPACI) brings agribusiness and textile companies, development partners, and smallholder cotton farmers together to create sustainable and inclusive cotton supply chains. Kenya's Financial Sector Deepening Initiative works with various government bodies, banks, micro-finance institutions, and educational and research institutions to deepen access to financial services, especially for low-income groups. Lighting Africa provides a platform enabling lighting solution companies to have their products quality checked and certified, and works to improve the conditions for sale of these products in several countries, in the process enhancing access to lighting for low-income consumers. Ecosystem-building initiatives thus provide a promising approach in helping inclusive businesses grow.

All actors can contribute to improving inclusive business ecosystems

- **Companies and entrepreneurs** can pioneer inclusive strategies, by investing in new business approaches, conducting quantitative and qualitative market research, testing the delivery of innovative services and products at affordable prices, building technical skills, implementing strategies for integrating low-income communities into value chains, and providing logistical and other services that support other companies. They can cooperate in the initial stages of a business venture by helping to conduct market research or develop innovative business models. They can also innovate by purchasing goods or services from informal enterprises owned by people in low-income communities, and by increasing the locally sourced content of raw materials and other supplies.



- **Governments** can play a major supporting role by creating enabling conditions and providing incentives for inclusive businesses. They can remove regulatory barriers and create regulation conducive to economic activity. They can invest in infrastructure, information and education. They can reward businesses' positive social and environmental externalities and directly create incentives for inclusive business, for instance by procuring preferentially from businesses that integrate low-income communities into their value chains.
- **Development partners**, both public and private, can support governments in creating an environment conducive to the emergence of inclusive business. They can stimulate the creation of currently lacking local support institutions. They can document and analyze best practices, share insights and facilitate public-private dialogues. They can also promote the inclusive business approach as they provide assistance to governments and support the development of enabling policies.
- **Civil society organizations** can help local entrepreneurs set up inclusive businesses. They can facilitate access for enterprises to low-income communities, act as watchdogs for the interests of low-income communities, and support the development of inclusive businesses, above all through awareness raising and capacity-building.
- **Research institutions** can collect and analyze detailed and context-specific information about what works for inclusive business in sub-Saharan Africa. They can build and share information about inclusive business models and advocate for an inclusive business approach. They can educate and train current and future entrepreneurs and leaders. They can also develop better measures of how inclusive a business is and what results have been achieved, thus providing the necessary data for both policy makers and impact investors.
- **Intermediaries** can identify and showcase good examples of inclusive business thus encouraging others to follow. They can coordinate various actors, performing tasks such as organizing functional value chains, harmonizing standards and labels, establishing joint market-research platforms, and supporting the aggregation of producers and products. They can channel support to those who need it and create spaces where inclusive businesses can grow.



The companies and entrepreneurs driving inclusive businesses also need to shape and drive the development of supportive ecosystems. They can do this by being transparent with respect to their own challenges, by managing support rather than being influenced by it, and by engaging in dialogue with governments and other support institutions in order to co-create effective solutions. In effect, companies and entrepreneurs need to become ecosystem entrepreneurs.

A call to action

In order to advance the inclusive business approach, innovation and entrepreneurship is required on the part of all actors. In addition, mechanisms are needed to facilitate cooperation and coordination. In addition to its recommendations for individual actors, this report therefore calls for the creation of broader support mechanisms designed to create inclusive business ecosystems:

- New **ecosystem-building initiatives** should be developed at the national and regional levels, focused tightly on creating inclusive business ecosystems.
- **Finance vehicles** able to support ecosystem-building initiatives should be created on a regional and national level.
- **Centres of excellence** for inclusive business and markets should be set up at the national and regional levels to build and share knowledge on the inclusive business approach.

By working together we can realize Africa's wealth – its people and their potential – and create shared prosperity.



1 Patterns and prospects

Inclusive business creates opportunities for enterprises and low-income people. L'Occitane en Provence sources shea butter from 15,000 women in Burkina Faso. This activity provides just one example among many of a company that explicitly addresses low-income people's needs in such a way as to bolster its own commercial success. The example also shows how actors can often be involved at multiple levels of the ecosystem as they foster inclusive business.

This chapter introduces the concept of the inclusive business ecosystem and the Inclusive Business Ecosystem Diamond – the guiding framework of this report. It highlights inclusive business ecosystem patterns in Africa by country, sector and actor.

Case Study 1: L'Occitane en Provence nurtures cooperatives in Burkina Faso

L'Occitane en Provence is a highly successful multinational cosmetics firm, recognized worldwide for luxury products based on natural ingredients. For decades, one of the firm's signature ingredients has been shea butter. After travelling in Burkina Faso in 1982, L'Occitane's founder Olivier Baussan committed to procuring shea nuts for his products while supporting local communities. However, sourcing from women directly proved to be a difficult task. Women were encouraged to use artisanal techniques, but the quality of the end product was initially low. Furthermore, transport was complicated and the product frequently reached France in poor condition.

Over the years, L'Occitane has established close links with five cooperatives that together consist of 15,000 members. The company has helped to set up and strengthen these cooperatives, and has invested in building the capacities of local women; both tasks were performed the help of the Canadian CSO Centre d'Etude et de Coopération Internationale (CECI). L'Occitane also installed local packaging and logistics systems that prevent the product from losing quality in the course of handling. In 2009, the company began to have its suppliers certified as organic and fair trade. In addition, cooperatives have learned to create their own ecosystems. For example, one cooperative has received training from Dutch CSO ICCO, improved stoves from German development agency GIZ (enabling shea butter to be produced in a more environmentally friendly way), strategic advisory service from Dutch development agency SNV, and support for the protection of shea resources from the Swiss Development Cooperation.

In 2011, L'Occitane bought more than 500 tons of shea butter from Burkina Faso. These sales generated around \$1.2 million in revenues for the cooperatives and their members, including a 2% fair trade premium that was invested in community projects. The company formulates almost 100 different



cosmetic products using shea butter; its shea butter hand cream is the company's best selling product, with one unit of the cream being sold every three seconds in shops across the world.

1.1 Sub-Saharan Africa is growing quickly, but benefits are unequally distributed

The economic landscape in many parts of sub-Saharan Africa is changing quickly for the better. GDP growth for the African continent as a whole is expected to reach 5.4% in 2013, making it one of the fastest-growing regions in the world.⁷ Every country in sub-Saharan Africa experienced a positive economic growth rate in 2011 – 2012, as shown in Figure 3.⁸ Over the past decade, six of the world's 10 fastest-growing countries have been in the African continent, with this trend expected to continue in the short to medium term.⁹

Figure 3: GDP growth rates 2007 – 2011 by country

Capital is also flowing into the African continent. Over the past decade, foreign direct investment targeting the continent has grown steadily, peaking at \$73.4 billion in 2008. This figure has remained comparatively strong throughout the global economic crisis, reaching \$54.4 billion in 2011.¹⁰ Indeed, since 2005, Africa has attracted more investment than aid. The African diaspora is an increasingly important source of capital. Remittances have continuously risen, and are expected to reach \$45 billion in 2012.

Figure 4: Capital inflows into Africa, 2000 – 2012¹¹

⁷ AfDB, OECD, UNDP, UNECA (2012). African Economic Outlook 2012.

⁸ AfDB, OECD, UNDP, UNECA (2012). African Economic Outlook 2012.

⁹ IMF (2012). World Economic Outlook 2012.

¹⁰ AfDB, OECD, UNDP, UNECA (2012). African Economic Outlook 2012.

¹¹ AfDB, OECD, UNDP, UNECA (2012). African Economic Outlook 2012.



Household incomes are rising, partly as a result of these trends. Consumer spending on the African continent is expected to grow to \$1.4 trillion by 2020, \$520 billion more than in 2008.¹² Low-income market segments account for a significant share of this spending. In 2007, total spending by people earning less than \$3,000 per year in Africa was estimated at \$429 billion, on a purchasing power parity (PPP) basis.¹³

A young and growing population eager for opportunities

Sub-Saharan Africa has a total population of about 800 million people. The continent's average age is the lowest of any region in the world. By 2015, 75% of its population will be below the age of 30.¹⁴ Moreover, the number of young people is expected to double by 2045.¹⁵ **This young, growing population holds great potential as consumers, producers, employees and entrepreneurs.**

Nevertheless, a large part of this population is struggling with elementary existential challenges, including extreme poverty, hunger, disease and unemployment:

- Almost half of sub-Saharan Africa's population lives on incomes of less than \$1.25 per day (PPP).¹⁶
- Around 239 million people in sub-Saharan Africa are malnourished.¹⁷
- Of the 31 countries worldwide recording an under-five mortality rate of at least 100 deaths per 1,000 live births in 2009, 30 were in sub-Saharan Africa.¹⁸ Average life expectancy across sub-Saharan Africa is 52.5 years, compared to 69.2 worldwide.¹⁹
- Out of a total African workforce of 382 million, only 107 million people were engaged in formal employment in 2010.²⁰ Two-thirds of the working-age

¹² McKinsey Global Institute (2010). Lions on the move – the progress and potential of African economies. New York: McKinsey Global Institute, 7.

¹³ These are estimates based on household surveys in 22 countries. See Allan L. Hammond, et al. (2007). The Next Four Billion – Market Size and Business Strategy at the Base of the Pyramid. IFC and WRI: Washington, DC. www.wri.org/chart/bop-market-income-segment-africa-429-billion

¹⁴ AfDB, OECD, UNDP, UNECA (2012). African Economic Outlook 2012: Promoting Youth Employment.

¹⁵ *ibid.*

¹⁶ UNDP (2012). Africa Human Development Report 2012 – Towards a Food Secure Future.

¹⁷ UN Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP) (2012). State of Food Insecurity in the World 2012.

¹⁸ IGME (2010). Levels & Trends in Child Mortality. Report 2010. New York: UNICEF.

¹⁹ World Bank (2011). Ten Facts about sub-Saharan Africa.

²⁰ McKinsey Global Institute (2012). Africa at work – Job creation and inclusive growth. McKinsey Global Institute, 13.



population hold vulnerable, informal jobs such as subsistence farming, informal self-employment or work for a family member.²¹ Youth account for more than one-third of Africa's workers, while the 2009 youth unemployment rate was nearly 12% in the continent as a whole.²²

- About 38% of Africa's adult population, or 153 million adults, lacks the basic literacy and numeracy skills needed in everyday life. Women account for more than 60% of the region's adult illiterate population.²³ Youth literacy rates, at 72%,²⁴ are the lowest of any region in the world. More than 31 million African children – mostly girls – do not attend school.²⁵

Other key areas of human development are also characterized by significant challenges. Only 66% of the population has access to safe drinking water, only 40% has proper sanitation facilities, and only 30% has access to electricity.²⁶

Box 1: Who are the “low-income” people?

More than 800 million people live in sub-Saharan Africa. According to World Bank data, 47.5% lived on less than \$1.25 (PPP) per day, the international standard for extreme poverty. Similarly, 68.8% lived on less than \$2 per day, another international poverty benchmark. Almost all Africans (97%) fall into the segment earning less than \$8 per day, a measure used by the World Resources Institute (WRI) and International Finance Corporation (IFC) to define the low-income market.²⁷ To be sure, the precise level of income deemed “low” will always remain arbitrary, and \$2 per day means different things for a smallholder farmer and an urban worker.

This report refers to low-income people not as defined by a particular income level, but rather using the understanding that people in low-income communities face significant barriers to engaging in formal markets and larger value chains. Most low-income people transact mainly in the **informal market**. They lack the legal documents, financial services, education, skills and information to access formal markets. This makes it difficult for enterprises to engage with them on a formal basis. Many of the challenges related to developing inclusive businesses have to do with bridging the formal-informal divide.

²¹ *ibid.*

²² United Nations (2011). Regional Overview: Youth in Africa.

²³ UNESCO (2010). Education for All Global Monitoring Report 2010. www.efareport.unesco.org

²⁴ UNESCO Institute for Statistics. (2010). “Adult and Youth Literacy: Global Trends in Gender Parity”. UIS Fact Sheet, No.2, September 2010.

²⁵ UNESCO (2010). Education for All Global Monitoring Report 2010. www.efareport.unesco.org

²⁶ United Nations Industrial Development Organization. (2009). “Scaling Up Renewable Energy In Africa”. 12th Ordinary Session of Heads of States and Governments of the African Union: Addis Ababa, Ethiopia. www.unido.org

²⁷ WRI and IFC (2008). The Next 4 Billion. All data on income levels from the World Bank's PovCal database (<http://iresearch.worldbank.org/PovcalNet/index.htm?1>).



Low income-communities can be both urban and rural. About 70% of sub-Saharan Africa's population lives in rural areas, and the incidence of poverty is higher there.²⁸ Cities also have pockets of poverty difficult for enterprises to reach due to the lack of an enabling market environment. Smallholders in search of a market, micro-entrepreneurs looking for income opportunities, mothers seeking nutrition and health care for their children, and young women who want a job all can benefit from being integrated into value chains. Thus, this report's overarching theme – which informs its conception of low income – is that people previously excluded from traditional markets, whether underserved, unemployed or underemployed, can find access to opportunity by being integrated into formal business ecosystems.

Inclusive business creates profits and unleashes potential

Inclusive businesses can create opportunities for Africa's young and growing population, unlocking the region's hidden wealth. They can create value by solving development challenges. Innovative business approaches integrate low-income people into their value chains in various capacities, as consumers, producers, employees and entrepreneurs. They create a strong foundation for profit and long-term growth by bringing previously excluded people into the marketplace. Low-income people in turn are provided with opportunities to improve their incomes, while gaining access to basic goods, services and other choices. Finally, inclusive business is often associated with "green" business practices that conserve resources and protect the environment. Inclusive business can therefore represent a concrete solution to achieving inclusive and green growth.

Box 2: What is inclusive business? What is inclusive growth?

Inclusive businesses include low-income people on the demand side as customers, and on the supply side as employees, producers and entrepreneurs serving at various points within the value chain. They build bridges between business and the poor for mutual benefit.

Inclusive growth is economic growth that results in wider access to sustainable socio-economic opportunities for a broader number of people, countries or regions, while protecting the vulnerable, all being done in an environment of fairness, equal justice and political plurality. This is precisely what inclusive businesses seek to achieve.

Sources: UNDP (2008) *Creating Value for All*; AfDB (2012) *Briefing Notes for AfDB's Long-Term Strategy*; *Briefing Note 6: Inclusive Growth Agenda*.

²⁸ World Bank (2011). *World Development Report 2012*.



A number of prominent African examples demonstrate that this paradigm shift is both possible and beneficial to a wide variety of stakeholders. M-Pesa mobile money services, for example, reach 15 million people in Kenya alone, and similar mobile money services have provided access to financial services to millions of Africans around the continent, including in rural areas.²⁹ Equity Bank provides banking and credit services to 8 million customers in Kenya, Uganda, Tanzania, Rwanda and South Sudan.³⁰ South African brewer SAB Miller sources ingredients from about 50,000 smallholders in Zambia, Zimbabwe, South Sudan, Uganda, Mozambique and Tanzania.³¹

Local entrepreneurs are also creating significant positive change. Nancy Abeiderrahmane set up Tiviski Dairy, which essentially created Mauritania's dairy industry from scratch. Today, the company sources camel milk from more than 1,000 herders. In Kenya, David Kuria founded Ecotact as a social enterprise to provide sanitation services, with the company's Ikotoilets today serving almost 50,000 slum dwellers. South Africa's Eduloan, founded by Johan Wasserfal and Jan Kitshoff with the goal of "unlocking potential" among its client base, has provided study loans to over 600,000 tertiary-level students. And even in Somalia, entrepreneurship is thriving again. Entrepreneur Liban Egal not only created the country's first bank after the war, but also a printing company, a market research company and a mobile money service (see interview in chapter 3). There are dozens more examples of inclusive business documented by the UNDP's Growing Inclusive Markets Initiative.³²

Inclusive businesses can be owned and driven by a diverse set of actors

These actors range from MSMEs to large corporations, from local to global players, and from not-for-profit to for profit organizations. The balance between commercial and social objectives will vary based on the ownership of the business, and small non-profit organizations can often experiment with new models in a way large multinationals cannot. Overall, however, the defining feature of any inclusive

²⁹ Examples from the Growing Inclusive Market's initiative's case portfolio are not individually elaborated in the text. Please refer to the case study annex for summaries.

³⁰ www.equitybankgroup.com

³¹ See interview in the "Supporting implementation" chapter.

³² See the initiative's online case database at www.growinginclusivemarkets.org.



business is that commercial and developmental objectives are complementary to one another.

Inclusive business is firmly grounded in the basic tenet of all business: value creation

Business creates value by making people better off. The largest untapped resource in sub-Saharan Africa is its people. By helping them to realize their potential, businesses can realize this wealth and create shared prosperity. Table 1 outlines the added value that inclusive business can provide for companies, low-income people and other actors within the ecosystem.

Table 1: Benefits from inclusive business for all parties³³

Added value for companies	Added value for low-income people	Added value for other ecosystem actors
Building new markets: Strong growth within low-income markets and opportunities represented by unmet needs can translate into long-term profits and increased revenues.	Meeting needs: People can gain access to needed goods and services such as food and nutrition, energy, clean water and sanitation, housing and financial services.	Governments can leverage private investment to achieve social objectives, in particular creating jobs for youth, increasing incomes, and improving access to basic goods and services.
Strengthening supply chains: By working with smallholder farmers or manufacturers, companies gain access to new sourcing channels.	Increasing income: People can find jobs, increase their incomes and improve their livelihoods. Lower product prices can increase relative consumption power.	Development partners can support sustainable solutions able to continue even after the development funding stops.
Enhancing reputation: Tangible social benefits can improve company reputation, increase the value of brands, and make it easier to secure licenses to operate locally.	Enhancing productivity: Access to electricity, financial services, health services, telecommunications, inputs, technology and capacity-building makes people more productive.	Civil society organizations can create opportunities for their constituencies within low-income communities.
Employee retention and motivation: A commitment to social goals motivates employees and helps a business attract talent.	Enlarging choices: Being integrated into formal markets gives people new choices and the ability to make their own decisions.	Research institutions can collaborate on applied research with businesses, which may also provide funding.
Driving innovation: Challenges in low-income markets drive innovation that could also be applicable to other markets.	Instilling self-confidence: People with more choices gain in self-confidence and develop a sense of control of their lives.	Intermediaries increase their relevance by providing concrete benefits to their members.

³³ Adapted from UNDP (2008). Creating Value for All. New York: UNDP.



As **customers**, low-income people benefit from access to goods and services that increase their wellbeing and productivity, while companies expand their markets. ToughStuff, for example, sells solar-powered lamps in communities that have no access to electricity. Its micro-franchise distribution model also stimulates local entrepreneurship. In addition, ToughStuff's products, which rely on clean and renewable energy, present significant health and environmental benefits compared to alternatives such as paraffin and batteries.

As **producers**, smallholder farmers or small manufacturers can find stable buyers and provide formal enterprises with new sourcing channels. Businesses also transfer skills, create employment and increase productivity. Heineken and SABMiller, two global brewers, for example, have both been steadily increasing the local content of their production in recent decades. Thousands of small producers in East and West Africa provide these companies with the cassava, barley, sorghum and hops needed for the production of beer.

As **employees** and **entrepreneurs**, low-income people offer a source of labour, local knowledge and connections to enterprises. In particular, Africa's entrepreneurial young people, a large number of whom are seeking opportunities for jobs and income, can benefit from improved incomes and new skills. As one example, South Africa's cell phone giant Vodacom has created over 90,000 community phone shops across the continent. Entrepreneurs operate these telecommunication services outlets in low-income communities.³⁴

Inclusive businesses often integrate low-income people in more than one capacity. Cooking stove producer Toyola, for example, reaches out to low-income people along its entire value chain. The Ghanaian company contracts with 200 local artisans in its home country to build cooking stoves. Local market vendors then sell the pots, earning a 10% commission. To allow even the poorest access to their products, the company sometimes allows barter financing.

Figure 5: Number of GIM case studies from Africa that include low-income people, by role (total 43)³⁵

³⁴ BOP Learning Lab South Africa (2008). Low Income does not mean no income (Fact Sheet).

³⁵ Analysis of 43 GIM case studies from sub-Saharan Africa (see annex for details).



Box 3: How inclusive businesses can contribute to achieving the MDGs

The Millennium Development Goals (MDGs), which translate the concept of human development as a multidimensional challenge into actionable objectives, give all United Nations agencies an overarching framework to measure progress in improving people's lives. Targets are set to be achieved by 2015, with many African countries having considerable distance yet to make up despite the positive progress that has been achieved in many of the goals. The private sector can make an important contribution toward achievement of the MDGs. In fact, as the following examples from the Growing Inclusive Markets case studies show, inclusive businesses can contribute to each of the eight goals.

Millennium Development Goal 1: Eradicate extreme poverty and hunger

Fair trade cotton generated additional income for 23,000 farmers in 194 producer organizations in Western and Central Africa, creating revenue of more than \$5.2 million in 2005 – 2006, almost \$2.6 million more than what would have been achieved on the conventional market.

Millennium Development Goal 2: Achieve universal primary education

In Uganda, members of the Association of Private Water Operators deliver clean water to 500,000 people. This means that residents, particularly young girls, no longer have to spend time fetching water, and can thus concentrate more fully on schooling.

Millennium Development Goal 3: Promote gender equality and empower women

Multinational cosmetics company L'Occitane en Provence has provided over 12,000 rural women in Burkina Faso with additional income totalling \$1.2 million in 2011 from selling shea butter. In addition, it empowers women by helping them to set up cooperatives, providing them with training, more environmentally friendly production methods, and giving them access to micro-loans.

Millennium Development Goal 4: Reduce child mortality

In Mali, CSO Pesi-Net has helped reduce child mortality by training local nurses to weigh children and text the information to doctors. If a child is underweight, nurses receive information on how to improve the child's health. More than half of all child deaths can be avoided through this kind of simple intervention.

Millennium Development Goal 5: Improve maternal health

In Kenya, the 66 Child and Family Wellness (CFW) shops, micro-drugstores and clinics offer safe drugs and health care to low-income communities. CFW operates as a franchise system. The foundation recruits qualified nurses, trains them regularly, and has processes in place to control product and service quality. In 2012, the franchise reached nearly 400,000 patients and customers. Pregnant women and mothers thus have better access to health care and preventive products such as mosquito nets.

Millennium Development Goal 6: Combat HIV/AIDS, malaria and other diseases

Textiles company A to Z Textiles in Tanzania set up a joint venture with Japanese chemical company Sumitomo Chemicals to produce long-lasting, insecticide-treated mosquito nets. These were



distributed widely in Africa and beyond to help prevent malaria. The joint factory has a production capacity of 30 million nets per year and employed 7500 people in 2011.

Millennium Development Goal 7: Ensure environmental sustainability

Senegalese company Du Vent, de L'Eau pour la Vie (VEV) uses wind pumps to bring ground water to the surface, where it is sold by local women. The business provides access to clean water and reduces the amount of time women spend in fetching water.

Millennium Development Goal 8: Develop a global partnership for development

A company called Inova provides mobile money services to 60,000 people in Burkina Faso, providing them with a safe and low-cost way to make transactions. This frees up time and increases transaction security.

For more examples of how various companies contribute to the eight MDGs, and of how other institutions support them, see the UNDP Growing Inclusive Markets report, "The MDGs: Everyone's Business".

As the year 2015 approaches, the international community is already developing a post-MDG framework. There is wide agreement that the private sector will have to play a strong role both in the consultation process leading to the new framework and in its implementation.³⁶

1.2 Inclusive business ecosystems enable larger scale and impact

Inclusive businesses operate in a challenging environment. Low-income markets lack many of the conditions that enable functioning markets, as the research in 2008 reconfirmed (see Box 4). Reliable market information is often absent, the regulatory environment is often inadequate, physical infrastructure is dismal in many places, low-income people initially lack the knowledge and skills required to participate in value chains productively, and access to financial services is frequently minimal. In the absence of these enabling conditions, transaction costs rise, as businesses have to fill the gaps themselves. Despite the enormous potential awaiting inclusive business endeavours in Africa, the obstacles are often daunting.

Box 4: Insights from the Growing Inclusive Markets (GIM) Initiative

Since 2006, the UNDP's GIM Initiative has been dedicated to creating insight and awareness about the inclusive business approach. Based on an analysis of 50 of its own case studies, the initiative's first report, "Creating Value for All – Strategies for Doing Business with the Poor", showed in 2008 that companies struggled with five primary market constraints when trying to work with low-income people as business partners: a lack of market information, a regulatory environment that was not conducive to economic activity, dismal physical infrastructure, a lack of knowledge and skills within the target group,

³⁶ Paula Luccia (2012). Post-2015 MDGs – What role for business? London: ODI.



and limited access to financial services. The report also identified five generic strategies for overcoming these constraints: adapting products and processes, investing in the removal of constraints, leveraging the strengths of the poor, combining resources and capabilities with other actors, and entering into a dialogue with governments. These strategies showed that enterprises often need the collaboration and support of other actors to establish inclusive businesses.

Building on these insights, the initiative's second report, "The MDGs – Everyone's Business" highlighted in 2010 the ways that different types of companies – multinationals, large domestic companies, SMEs and CSOs – could contribute to each of the eight goals. This report also outlined how other actors, in particular policy-making institutions, research and advocacy bodies, financial institutions and other institutions with complementary capabilities, could provide support.

The regional report for Emerging Europe and Central Asia, called "Business Solutions to Poverty", illustrated in 2010 that the conditions required to support inclusive business and hence the models used by enterprises and the kind of support necessary differed substantially by region. While the Emerging Europe and Central Asian regions have a socialist history that has left them with both substantial infrastructure and a crushed entrepreneurial culture, the situation is completely different in sub-Saharan Africa. Here, entrepreneurial ingenuity has to make up for a widespread lack of infrastructure.

The present report builds on the research of the GIM Initiative, and continues the search for concrete, region-specific solutions able to help inclusive business approaches grow.

In order to harness the potential of inclusive business in Africa, entrepreneurs require ecosystems conducive to this type of activity.

An inclusive business ecosystem is made up of a network of interconnected, interdependent players, whose actions help inclusive businesses succeed, generate impact and grow to a larger scale.³⁷ These ecosystems can include all types of actors, including companies, governments, development partners, CSOs, research institutions and intermediaries.

Four types of inclusive business support

Entrepreneurs rely in particular on four enabling functions to start and implement a business. They need **information** about business opportunities and other market

³⁷ Adapted from: Christina Gradl and Beth Jenkins (2011). Tackling Barriers to Scale - From Inclusive Business Models to Inclusive Business Ecosystems.



characteristics; they need commercial **incentives** to provide a reason to engage in the business activity; they need access to financial **investment**; and they need **technical support** during implementation. A survey of 100 participants from various organizations reveals that the gaps in Africa's inclusive business ecosystem are enormous, as shown in Figure 5. More than half of the survey's respondents saw big or very big gaps across all four categories, and few respondents believe that no gap exists in any of these categories. The biggest improvements appear to be needed in the area of investment, where more than half of respondents see a very big gap.

Figure 6: Gaps in the inclusive business ecosystem in sub-Saharan Africa³⁸

Box 5: How the UNDP supports inclusive market development

Inclusive Market Development (IMD) refers to the development of markets that expand choices and opportunities for the poor and other excluded groups in their role as producers, consumers, entrepreneurs and employees. IMD is a holistic approach targeting the improved productivity and participation of smallholders and MSMEs (including informal business and small family-owned business) as suppliers and distributors in partnerships with governments, lead firms and other development stakeholders. Implementing IMD thus involves the facilitation and strengthening of integrated value chains and sectors that expand opportunities for smallholders and MSMEs while developing their capacity.

The UNDP's strategy for inclusive market development combines private sector development, seeking to increase the contribution made by MSMEs to growth and poverty reduction; and private sector engagement (PSE), fostering development-oriented partnerships with a wide range of companies ranging from multinationals (northern and southern) to SMEs.

Inclusive market development intervenes at three levels. On the micro level, this takes place by building the capacities of small producers and traders, and by providing support services in the focus sector's value chain. On the meso level, value chain linkages are strengthened and public-private dialogue and cooperation are facilitated. On the macro level, the development of market infrastructure is supported, and sectoral policies for inclusive economic growth are promoted. Thus, inclusive market development supports inclusive business by stimulating and enhancing inclusive business ecosystems.

³⁸ Survey of 100 support institutions in Africa.



Information and relevant knowledge provide the foundations of business activity. However, collecting data and putting data in context are often significant challenges within low-income markets. Solid market data is often absent, as are market intermediaries such as consultancies or research institutes. In addition, knowledge on how inclusive business works is often difficult to access in Africa, especially for local companies and entrepreneurs. Academic institutions, market intermediaries such as consultancies, think tanks or market research institutes, and development agencies and their local private-sector programmes can play an important role here.

Incentives are the drivers of business. In Africa, the cost of doing business is often high, particularly within low-income, informal markets. Regulatory conditions are poor, and administrative processes burdensome. Negative social or environmental externalities associated with business activities are rarely priced into the cost of doing business, while positive externalities generally receive no financial reward. By improving the business environment, enabling low-income people to participate in markets, and creating rewards for social and environmental benefits, the incentives motivating entrepreneurs to seek and implement market-based solutions to social problems can be augmented. Public policy plays a critical role here, but private policies and public-private ordering can also make a difference.

Investment is the fuel of business. Although capital flows into Africa are increasing, debt and risk capital either remains comparatively scarce or is ill adapted to local needs. In general, inclusive business projects can have difficulty fitting into established financing frameworks, as they can take longer than traditional projects to break even and are often considered to be risky or insecure. Development partners both on the public and private side have developed targeted “impact investment” mechanisms designed to tackle these issues. Banks are stepping up efforts to serve SMEs. Finally, micro-finance can ease some of the financing needs of inclusive businesses by serving entrepreneurs and producers directly.

Box 6: What is impact investment?

Impact investments are investments made in companies, organizations and funds with the intention of generating measurable social and environmental impact alongside a financial return. Impact investing occurs across asset classes, and includes private equity and venture capital as well as debt. Impact



investment is important for inclusive business, as their often-innovative models and challenging market conditions typically result in comparatively long periods of activity before a profitable return can be expected.

Implementation support helps to translate inclusive business models into a ground-level reality. Businesses require efficient transaction systems, distribution and sourcing channels, marketing and communication services, and small business support in order to operate. In low-income communities, these services are often initially provided by CSOs, development agencies or other intermediaries.

Together, these functions can propel entrepreneurs towards solutions that combine sustainable and commercial development. The guiding framework of this report brings them together in the Inclusive Business Ecosystem Diamond pictured in Figure 7.

Figure 7: Inclusive Business Ecosystem Diamond

Box 7: Interview with Sagun Saxena, CEO, CleanStar Mozambique

CleanStar Mozambique is an integrated food, energy and forest-protection business. The company works with smallholder farmers in Mozambique to produce food and energy crops that are processed and sold in urban centres to replace imported food and charcoal.

Mr. Saxena, what makes it difficult as an entrepreneur to create an inclusive business in sub-Saharan Africa?

There is little reliable market data on the consumption patterns of low-income urban communities in Africa. So it is challenging for inclusive businesses like ours to understand market needs or to develop strategies. As a result, we have had to invest heavily in our own field-based market research and analysis.

There is no formal commercial activity among the smallholder farmers from whom we buy agricultural products, so we must also invest in building basic physical and financial infrastructure for commerce.

With regard to running the business, there is poor capacity in Mozambique in fields such as accounting and compliance. Finally, there are no clear regulations (on value-added tax, for example) to support the transition of informal economic activities like charcoal distribution into formal inclusive business models.



You have not mentioned investment as a challenge. Is there enough money for inclusive businesses?

Finance is available for compelling commercial ventures that can show how inclusion reduces risk, rather than just adding complexity. Proof-of-concepts are useful in adjusting risk perceptions by validating key business-model assumptions and demonstrating execution capacity. Many inclusive business entrepreneurs do not have a track record with commercial financiers, so they struggle to access such capital. Donor funding can create delays and dependence, which are both deadly for any new business.

All societal actors can strengthen the inclusive business ecosystem

Inclusive business ecosystems are made up of a variety of actors, often collaborating within a dense task-sharing network. We categorize these actors into six general types: companies, governments, development partners, CSOs, research institutions and intermediaries. Obviously, not every organization can be easily assigned to one of these categories, and examples of hybrids – such as companies that provide intermediation services or CSOs that provide research services – abound in the real world. However, this rough typology is useful in identifying broad patterns within Africa’s inclusive business ecosystems, and can serve as a basis for concrete recommendations.

Table 8: Actor type with examples of contributions to each of the inclusive business ecosystem support functions

Type	Includes:	Example role in:			Symbol	
		Information	Incentives	Investment	Implementation support	
Companies	MNCs, large national companies, state-owned companies, SMEs, start-ups and entrepreneurs, social enterprises, market research companies, consultancies, financial	Market research	Self-regulation, standards and certification, good corporate governance standards	Venture capital, private equity	Logistics, marketing, payment systems, financial infrastructure (including credit registries)	\$



		and micro-finance institutions, investors				
Government s	National governments, regional economic communities (RECs), international organizations	Make economic data available, proper identification system	Create legal and regulatory frameworks, procure from inclusive businesses, reward positive social and environmental externalities	Provide investment guarantees	Enable cooperation with public services, improve infrastructure, provide good quality education and extension services; set up small business support agencies; support business incubators	§
Development partners	Bilateral and multilateral public development partners, private foundations	Document and analyze good practices, facilitate public-private policy dialogue, advise governments on policies conducive to inclusive business	Promote inclusive business approach in country strategies and assistance	Provide "patient capital"	Provide technical support, advisory services, capacity-building	❖
Civil society	CSOs	Facilitate market research in low-income communities, promote inclusive business approach	Act as watchdogs for low-income communities' interests	Facilitate access to finance for low-income communities	Support awareness raising and capacity-building in low-income communities	
Research institutions	Universities, think tanks, research institutes	Knowledge generation and dissemination on inclusive businesses, intellectual leadership, influence inclusive business debate	Inform the design of business models, evaluate incentive systems, make recommendations	Assess the effectiveness of new investment vehicles	Inform inclusive business' approach to implementation	⊙
Intermediaries	Business associations,	Facilitate integration between	Set, monitor and	Pool funding to improve	Share implementation experiences	□



standards-setting bodies, topic platforms, media	ecosystem elements, share information among constituencies, advocacy	evaluate standards	infrastructure, invest in research	among companies
--	--	--------------------	------------------------------------	-----------------

In the following sections, elements that relate in particular to one of these types of actors will be marked with the appropriate symbol. This will enable a more focused reading for each target group.

1.3 Africa's inclusive business ecosystem patterns

A survey of Africa's inclusive business ecosystem landscape reveals a number of patterns, in terms of the types of enterprises involved, the types of actors providing support, and the countries and sectors where the business activity is taking place. SMEs and CSOs are the primary owners of inclusive businesses, although large companies do demonstrate some impressive results in terms of scale. Support services are today provided primarily by international actors, but local support networks are emerging as well. Opportunities for inclusive business exist in a wide variety of sectors.

MSMEs are strong drivers of inclusive business

While inclusive businesses run by multinationals tend to receive the most publicity, many of Africa's inclusive businesses are in fact run by MSMEs. In our own sample of 400 case studies, almost half are owned by MSMEs, as shown in Figure 6.³⁹ Large domestic companies have also begun integrating low-income people more purposefully into their value chains. Large and multinational companies have the capacities to reach scale quickly, with M-Pesa's 15 million customers in Kenya serving as an impressive example. CSOs are often responsible for some of the most innovative models, especially in sectors that have not traditionally been dominated by market-based solutions but are critical for poverty alleviation, such as health and education. Cooperatives also play a role, especially when it comes to integrating producers into value chains.

³⁹ The 400 examples were identified in a comprehensive desktop research.



Figure 8: Type of organization owning the inclusive business, GIM case portfolio (n=400)

Source: List of 400 case examples from desktop research

Support comes mainly from international actors; local actors emerging

International actors, particularly development partners, impact investors and CSOs, have been a driving force behind the creation of inclusive businesses in sub-Saharan Africa. These organizations are often directly involved in providing funding and technical support to entrepreneurs, but have also funded and implemented other inclusive business ecosystem elements, including coordination platforms and capacity-building services. Research is often performed by international research institutes or consultancies, while international CSOs, business associations, development partners and universities provide training, additional research and peer-to-peer exchanges.

The international character of this trend is natural. The inclusive business concept first gained prominence in the United States, with the writings of C.K. Prahalad, Stuart Hart and others. It has since had a strong influence on development partners and multinational companies, both of which view it as a strategic approach to business and development.⁴⁰ In many developing countries, by contrast, the concept remains unfamiliar or poorly understood.

As a result, local actors are frequently new in appreciating the value of the inclusive business model. This process is taking a number of forms. National governments are increasingly recognizing the benefits of market-based approaches, and are looking for ways to support them through policies and programmes. Multi-stakeholder initiatives such as the Comprehensive Africa Agriculture Development Programme (CAADP) create platforms for alignment and joint progress that improve the enabling environment for inclusive business. A local inclusive business support ecosystem is evolving in parallel with the policy environment, and today includes research and training programmes conducted by business schools, financial services provided by commercial banks, and investment and technical support offered by local impact investors and incubators. Local micro-finance institutions (MFIs) provide financing to

⁴⁰ CK Prahalad and Stuart Hart (2001). *The Fortune at the Bottom of the Pyramid*; CK Prahalad (2004). *The Fortune at the Bottom of the Pyramid*.



low-income consumers and producers. However, local intermediaries remain largely absent; this gap ranges from market research institutes to consultancies, incubators, credit bureaus, rating agencies, certification agencies, value-chain facilitators and executive education providers.

Despite recent growth, these ecosystems need to be much more robust if they are to enable local entrepreneurs to address developmental challenges through business-based approaches, particularly on a large scale. Recommendations in this report's final chapter will point out what each kind of actor can do to strengthen these ecosystems.

Inclusive business ecosystems track economic development

Africa's inclusive business landscape is quite uneven – an unsurprising finding, given the region's enormous differences in economic development, governance and history. Overall, the available empirical evidence suggests a correlation between a country's economic development and governance capacity levels and the state of its inclusive business ecosystems. Figure 7 lists examples from the Growing Inclusive Markets database, itemized by country. More than two-thirds of these examples are located in South Africa or Kenya, countries that have explicitly embraced and encouraged inclusive business approaches, while most of the others are located in economies that are stable and growing. The link between solid economic development and governance and the presence of inclusive businesses is natural, as the factors that encourage mainstream business activity also facilitate business within low-income communities. A higher rate of economic development produces a larger number of actors able to build inclusive businesses. An increase in inclusive business activity means in turn that more actors will be available to support these activities.

Figure 9: Examples of inclusive business in Africa by country (n = 400)

Source: List of 400 case examples from desktop research

South Africa is by far the most developed economy in the region, with per capita GDP of \$11,000 in purchasing power parity terms; well-developed financial, legal, communications, energy and transport sectors; and a modern commercial infrastructure that supports an efficient logistics system. The country's Black



Economic Empowerment (BEE) policies have given companies strong incentives to integrate the populations disadvantaged under Apartheid into their operations, notably through preferential procurement strategies. As a result, a whole ecosystem of consultancies, market research institutes, research centres and other organizations has evolved. Kenya is also making great strides in integrating its low-income citizens into mainstream commercial activity, in part by explicitly acknowledging the importance of the informal sector. The country's Vision 2030 programme, an integrated policy programme aimed at aligning economic and human development, as well as initiatives such as the Financial Sector Deepening Initiative (see profile in chapter 6), have successfully created inclusive business ecosystems.

On the other end of the spectrum, countries such as Somalia, the Democratic Republic of Congo and Sudan have been trapped in civil war and political turmoil for many years. Here, even the formal market is rudimentary, rendering the inclusive business approach difficult in the extreme. Yet even in such challenging circumstances, businesses sometimes manage to thrive and bring significant benefits to local residents. In Sudan's war-torn Darfur province, for example, blacksmiths have created a cooperative that produces tools for the local market and creates badly needed employment. In Somalia, Liban Egal opened the First Somali Bank (see interview in chapter 3).

Most inclusive business activity is found in agriculture, energy, financial services and ICT

Virtually every economic sector in Africa offers opportunities to work with low-income people as business partners. However, an analysis of the Growing Inclusive Markets Initiative's 43 in-depth African case studies shows that various sectors offer differing potential for the inclusion of low-income people (see Table 4). Sectors such as consumer products, energy, finance, health care, housing and construction, ICT and water sanitation mainly address the poor as customers. Most low-income people in Africa work at least partially in the agricultural sector; here, inclusive business models also offer opportunities for producers. Inclusive businesses in all sectors create opportunities to serve as employees and entrepreneurs. Agriculture and energy



demonstrate the greatest potential to create opportunities for low-income people in all four roles – that is, as consumers, producers, entrepreneurs and employees.

Table 9: Overview of potential for inclusion by sector and roles⁴¹

Sector	Inclusion of low-income people as			
	Consumers	Producers	Entrepreneurs	Employees
Agriculture/Forestry	High	Medium	High	High
Consumer goods	High	Medium	High	Low
Energy	High	Medium	High	High
Financial services	High	Medium	High	High
Health care	High	Medium	High	High
Housing / Construction	High	Medium	High	High
ICT	High	Medium	High	Low
Waste	High	Medium	High	High
Water/Sanitation	High	Medium	High	High
High	High	Medium	High	Low

To be sure, dramatic influence on people’s lives can stem from a number of sectors. ICT and the availability of mobile telecommunications, for example, have improved the lives of millions of low-income consumers and entrepreneurs. However, some sectors have seen more inclusive business activity than others. Based on our dataset of 400 cases, the highest share of inclusive businesses in Africa is seen in the agriculture, energy, financial services and ICT sectors.

Figure 10: Inclusive business examples by sector (n=400)

Source: List of 400 case examples from desktop research

Agriculture still provides a livelihood for about 60% of Africa's active labour force. The sector also accounts for 34% of the continent’s gross GDP.⁴² According to the World Bank, growth originating in agriculture is often much more effective in raising incomes of extremely poor people than is GDP growth originating from other sectors.⁴³ Many examples show that smallholders can be successfully integrated into supply chains as producers. Local retailers such as Nakumatt in Kenya and South

⁴¹ Own analysis based on 43 in-depth GIM case studies. Legend: high = many low-income people are included in this capacity in the available case studies; medium = few low-income people are included in this capacity in the available case studies; low = no or almost no low-income people are included in this capacity in the available case studies.
World Development Report (2008). Agriculture for Development. Washington, D.C.: World Bank, 27. *ibid*: 38.



Africa's Shoprite are increasing the share of their fresh produce sourced locally. Other enterprises sell inputs to smallholders, helping them to increase productivity while developing a new market. For example, IDE, an international CSO, provides low-cost irrigation systems to farmers across Africa. Finally, some companies provide nutritious foods to low-income consumers. Start-up company GADCO, for example, sells branded, affordable rice to local markets in Ghana.

Low-income households spend around 7% of their income on **energy**, in sum producing a market worth \$26.6 billion in Africa.⁴⁴ Off-grid solutions such as solar home systems or efficient cook stoves provide clean energy even to remote populations. Local entrepreneurs often produce, distribute and service these products. Toyola Energy manufactures and sells energy-efficient cook stoves in Ghana. EDF has built mini-grids in Mali.

Access to financial services for consumers and micro-entrepreneurs has improved significantly in recent years. In addition to the offers of micro-finance institutions, traditional banks have expanded their reach into the low-income market through branchless banking. In South Africa, for example, Standard Bank has built up a network of 10,000 "AccessPoints", mostly informal retailers trading in South Africa's townships. Mobile money services have connected millions to the financial system. 16 percent of adults in sub-Saharan Africa report having used a mobile phone in the past 12 months to pay bills or send or receive money.⁴⁵ Yet 80% of the 406 million adult population in sub-Saharan Africa did not have access to banking services by the end of 2009.⁴⁶

The **ICT** sector has been a key driver of change in the lives of low-income communities, linking them to financial services, information and markets. Esoko, a data service provider, sends market prices, trading information and weather warnings via mobile phone; this helps smallholder farmers decide when to plant which crops, and which markets will offer them the best prices for their produce.⁴⁷ The company

IFC and WRI (2008) the Next Four Billion

⁴⁵ Asli Demirguc-Kundt and Leora Klapper (2012). Financial Inclusion in sub-Saharan Africa. Index Notes No 04. Bill and Melinda Gates Foundation and the World Bank.

⁴⁶ Roland Berger Strategy Consultants (2012). Global Topics: Inside Africa. Lagos: Roland Berger, 16.



already operates in 16 African countries. Phone credit and related services are often provided by local entrepreneurs as part of a larger franchise system.

Sectors with many examples of inclusive business also tend to develop more elaborate ecosystems of support institutions. A variety of platforms established in recent years link actors at various levels of the agricultural value chain, thus helping to include smallholders in the market. Many investors and investment funds today support the development of energy solutions for low-income households. Separately, many countries have implemented new policies intended to reflect and facilitate financial inclusion and the spread of mobile-phone-based solutions.

1.4 A closer look at inclusive business ecosystems

The inclusive business model holds great potential for translating Africa's rapid growth into opportunities for low-income communities. Many actors can help to create the ecosystems that enable inclusive businesses to succeed and grow. The following four chapters take a closer look at each of the Inclusive Business Ecosystem Diamond's four support functions – information, incentives, investment and implementation support. Each chapter is structured similarly: first, challenges relating to the support functions are described, followed by a brief analysis of achievements to date. Each chapter closes by identifying opportunities for further action.

Figure 11: A closer look at the inclusive business ecosystem functions: chapter structure

2 Providing information

Acquiring reliable information, a foundational element in starting and operating any business, can be a significant challenge for any organization working with low-income communities. Take the example of Ecotact, which provides sanitation services to slum dwellers in Kenya. To develop a workable business plan, the social enterprise had to answer some difficult questions: How big were markets in low-income communities? What were people's needs and preferences? Once it gained a sense for its potential market, Ecotact also had to change perceptions about the topic of



sanitation itself. Drawing on this and similar experiences, this chapter looks at how information is created through research and how it is shared through advocacy.

- **Research** builds the knowledge base necessary for an inclusive business' success. This includes quantitative and qualitative market data, which enables the development of market strategies, as well as information on new products and processes that companies can use to build their own inclusive businesses.
- **Advocacy** promotes inclusive business approaches to all societal stakeholders and shares best practice examples. In this way, advocates help to spread vital know-how and build capacities, assisting in the implementation and support of such businesses.

Case study 2: Ecotact: Changing perceptions on sanitation

Ecotact, a social enterprise founded in Kenya in 2007, champions an innovative and sustainable approach to providing access to basic sanitation. More than 40% of Kenya's population of 41 million lacks access to improved sanitation.⁴⁸ In slums such as Kibera, outside of Nairobi, the majority of residents have no access to proper sanitation. Pit latrines are inadequate and subject to overflow during periods of heavy rain. The few public toilets that do exist are usually inaccessible, unhygienic, and lack privacy and security. Around 30% of Kenya's disease burden is sanitation-related, and thousands of children die each year from diarrheal diseases.⁴⁹

In response to the massive demand for sanitation services, Ecotact has constructed 60 modern facilities in the last five years, serving more than 48,000 people, mostly in urban slums. Each Ikotoilet mall is run by a local entrepreneur, who charges the equivalent of six U.S. cents to use the toilet and 12 U.S. cents for a hot shower.

Ecotact partnered with Water and Sanitation for the Urban Poor (WSUP) to carry out research on sanitation in urban and peri-urban areas in Kenya. This research provided vital information about people's needs and expectations. It laid the groundwork for the Ikotoilet's design, and ensured that it was tailored to meet local needs. Further assistance was provided in the form of joint advocacy efforts performed by the local and national governments and the company itself, encouraging awareness about sanitation and changing traditional thought patterns among policy-makers and local community residents.

⁴⁸ This is based on USAid figures.

⁴⁹ According to figures provided by Kenya's Ministry of Public Health and Sanitation. www.publichealth.go.ke/



2.1 Challenges

Building even a small-scale inclusive business requires a large amount of information. This begins as the overall approach is being conceived, and over time a new business will need detailed information on existing models and solutions, market data, technical information about products and practices that might be integrated into the business, and more. This information derives from many different sources, and it is difficult to assess its overall availability, as environments differ across the region. However, it is clear that access to information in Africa remains constrained by a lack of communications connectivity, and that data specifically related to the low-income market is limited.

The lack of connectivity presents a particular challenge in today's environment. To be sure, the "mobile revolution" has certainly reached Africa, with mobile phone penetration rates soaring from less than 2% in 2000 to more than 50% in 2011 (see Figure 9).⁵⁰ However, regular Internet connectivity, which enables quick access to a vast amount of information, was limited to an estimated 13.5% of Africans at the end of 2011.⁵¹ Broadband penetration levels remain negligible.⁵²

Figure 12: ICT Penetration rates for Africa 2005 – 2011

Source: ITU 2012 (http://www.itu.int/ITU-D/ict/statistics/at_glance/keytelecom.html)

Enterprises also find it difficult to get information about low-income markets. Most African countries have limited capacity to produce or compile usable macro- and microeconomic data, and what is available may be out of date or difficult to access.⁵³ This is problematic: to set up a business successfully, companies typically require detailed, specific and current information about their intended market, including target group characteristics, market environment descriptions, economic trends and more.

⁵⁰ Enrico Calandro, Allison Gillwald, Mpho Moyo, and Christoph Stork (2010). Comparative ICT Sector Performance Review 2009/2010. Cape Town: Research ICT Africa.

⁵¹ International Telecommunications Union. www.itu.org

⁵² UN Habitat (2010). Infrastructure for Economic Development and Poverty Reduction in Africa. The Global Urban Economic Dialogue Series. Nairobi, Kenya: United Nations Human Settlement Program, 34.

⁵³ Dianna Games (2011). "Doing business in post-conflict and fragile states: Challenges and risks". Development Planning Division Working Paper No. 23. South Africa: Development Bank of South Africa (DBSA), 43.



2.2 Achievements

Research and advocacy focusing specifically on the inclusive business approach is primarily performed by international actors, including universities, development partners and foundations. However, detailed technical information can often be provided by local players. Agricultural research institutes provide know-how on agricultural practices, ICT hubs develop new mobile-phone-based applications and other relevant technologies, and local universities provide can assist in assessing the characteristics of value chains or product functionality. African business schools are emerging as influential local intermediaries bringing international concepts such as impact investing and social entrepreneurship into local leadership cultures.

☉ Few research initiatives analyze low-income market sizes in Africa

The World Resources Institute (WRI) and the International Finance Corporation (IFC) have made a first attempt to map the size of emerging markets by country, region and sector in their 2007 report, “The Next 4 Billion”.⁵⁴ This work is based on national income and consumption surveys in 110 countries, 22 of which are in Africa. More in-depth research is available in certain sectors. FinScope, a FinMark Trust initiative funded primarily by the U.K. Department for International Development (DFID), studies financial services in 14 African countries from both a supply and demand perspective. The University of Cape Town uses financial diaries in rural and peri-urban areas of South Africa to track incomes and expenses in low-income communities.⁵⁵ To date, however, such efforts remain scattered and do not provide a complete picture of Africa’s low-income markets.

\$ Relatively few market research companies provide specialized support for low-income markets

The majority of market research companies focused on the African market are based in South Africa. In most African countries, companies gathering business data have to rely on support from CSOs. Field Africa and Eighty20, for instance, are South African-based research agencies that collect data and conduct quantitative and qualitative research in low-income communities. Consumer Insight Ltd., operating in

⁵⁴ Allen L. Hammond et al. (2007). *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid* Washington DC: WRI, IFC.

⁵⁵ www.financialdiaries.com/



Kenya, Tanzania, Nigeria, Uganda and Ethiopia, also conducts market research on African consumers, but does not specialize in low-income markets. Research Africa is a market research agency based in Uganda and the Netherlands focused on “social impact” businesses.

\$ Mobile applications offer a huge opportunity for gathering data

Mobile phones enable companies to ask their target group for information directly, or reach out to producers or consumers to share information. A number of services offer this opportunity.

Box 9: Esoko informs African smallholders

Esoko is a cell-phone based messaging service aimed at smallholder farmers in 16 African countries. It provides farmers with the latest market prices in real time, preventing opportunity-cost losses resulting from outdated information. To obtain reliable information, Esoko employs a large group of market agents who collect local market prices. Farmers can also trade via Esoko. Enterprises can use the information to understand production levels and purchase directly from farmers.

Source: www.esoko.com

Box 10: Jana collects data for airtime

Jana is a Boston-based company that enables organizations to connect directly to their intended target groups via mobile phone. Survey participants are compensated with mobile-phone airtime. Jana works in partnership with a network of 232 mobile operators. The company buys airtime in bulk to incentivize end-users to complete a survey, provide data, or sometimes even purchase a product. This model has allowed Jana to spread rapidly to 85 countries, eight of which are in Africa.⁵⁶

Source: www.jana.com

Box 11: Interview with Daniel Annerose, CEO of Manobi.

Manobi, one of Africa's foremost data providers, was founded in Senegal 10 years ago and has since expanded to Mali, Cote d'Ivoire, Burkina Faso, Niger and Benin. Its services focus primarily on smallholder farmers, but are expanding to other sectors, such as access to water and sanitation, basic local government service delivery quality, health and the environment, and child protection.

⁵⁶ Jana company website www.jana.com/products/



What is your assessment of the current situation regarding data and the availability of market information in Africa?

Things have clearly accelerated very much over the last few years. Thanks in a big way to technology and the growing penetration of mobile phones even in remote corners of the continent, it is becoming far easier to collect and process data and market information in real time. This has uses in many economic sectors.

How can data and information further encourage the development of inclusive businesses?

In our case we rely on several sources of data: individual farmers, groups of farmers and agents in the field. These sources feed into a giant database that then has a variety of uses: farmers use the applications we have developed to request how much fertilizer they need for a given crop in given conditions, then record the quantities of crops planted, yields, prices, etc. Our applications and data provide farmers with access to strategic information, land management, product marketing, supplier relationships and operational management.

Beyond the operational support that information provides to the farmers, the data also gives banks and credit providers with real time information and tangible numbers on crops, yields, climatic conditions, etc. This allows them, for instance, to grant loans to farmers at far better conditions that would otherwise be the case.

In your view, what is the biggest impact of real-time information?

The cost of collecting and processing information has been reduced considerably. It is very expensive to conduct baseline surveys or quantitative studies manually, and by the time information is processed, it's already outdated. The very nature of data and information is that it's not static but dynamic. Systems such as Manobi allow us to seize opportunities immediately and in a far more accurate way: For instance, we can easily gather data from several million households in a country like Senegal, our home market, or anywhere else in the world. Such information is crucial to understanding the size of the market, the needs of people, their expense patterns, etc.

❖🕒 Research and advocacy on behalf of inclusive businesses is mainly performed by international actors

Inclusive business is a new approach, and many questions remain with respect to identifying opportunities, building successful business models, cooperating with others, understanding results and managing growth. A number of international actors have advanced the state of this research, including development partners such as the UNDP Growing Inclusive Markets (GIM) Initiative and the Practitioner Hub (a project funded by the Swedish International Development Cooperation Agency (Sida)



and DFID); consultancies funded by public and private development partners; and university-based programmes such as the Base of the Pyramid (BOP) Initiative at the University of Michigan's William Davidson Institute, the Corporate Social Responsibility (CSR) Initiative at the Harvard Kennedy School, and the Centre for Sustainable Global Enterprise at Cornell University's Johnson Graduate School of Management. For the most part, this research is not specific to the situation in sub-Saharan Africa, though many case studies from the region have been documented. The institutions mentioned here are also among the most active worldwide in advocating for an inclusive business approach.

Box 12: Business Action for Africa advocates for inclusive business

Business Action for Africa is a network of companies, business organizations and development partners. Partners join the platform to support development in Africa by engaging in advocacy, action and knowledge sharing. A recent group report called "The New Africa: Emerging Opportunities for Business and Africa", for example, featured leaders from business and other sectors sharing their insights on the benefits of business-based solutions to African challenges.

Source: www.businessactionforafrica.org

🕒 Local actors assess the performance of products or value chains

Universities, local service providers and CSOs often have the expertise enabling them to conduct performance assessments locally. In Sudan, international CSO Practical Action and the University of Al Fashir carried out experiments to assess the performance of the pot-in-pot refrigerator system in terms of food conservation. Agricultural CSOs and public research institutes have experience in value chain assessments: The Ethiopian Agriculture Transformation Agency (EaTA), for example, assessed the country's chick-pea value chain and developed a five-year road map allowing project partners including PepsiCo, the World Food Programme (WFP) and USAID to plan well-targeted interventions.

\$ Product and technical innovations can be developed locally

Kenya is at the vanguard of this development, and already boasts a busy and talented IT development scene that creates mobile solutions for low-income markets. Technology hubs are now spreading to a number of other major African cities,



exemplified by Dar Es Salaam's TanzICT centre (Tanzania), Kigali's kLab (Rwanda), or JokkoLabs in Dakar (Senegal).

Box 13: iLabAfrica develops ICT for development

iLabAfrica is a research centre operating under the Faculty of Information Technology at Nairobi's Strathmore University. The project is intended to spearhead ICT innovations assisting in the attainment of the MDGs and in realization of Kenya's Vision 2030, the national economic policy framework. In collaboration with ICT company Hewlett Packard, for example, iLab is currently developing a monitoring and evaluation system to track patients within a South African programme seeking to prevent mother-to-child transmission of HIV/AIDS.

www.ilabafrica.ac.ke

⊙ Agricultural research is largely carried out by public institutions

National agricultural research centres provide information on best practices for growing crops and managing livestock under local conditions. In addition, a number of international agronomic research centres are based in Africa. Three research centres associated with the respected Consultative Group on International Agricultural Research (CGIAR) are based on the continent: the International Institute of Tropical Agriculture (IITA) in Nigeria, the Africa Rice Centre in Benin, and the World Agroforestry Centre in Nairobi. The Ethiopian Agricultural Research Institute, a research wing of the country's Ministry of Agriculture, provided research support the PepsiCo-USAID chickpea sourcing project, identifying two high-potential locations for implementation of the project. The EIAR has also worked closely with farmers to improve their productivity through the introduction of better seeds.

⊙ Local business schools are facilitating the transmission of social innovation

Business schools such as those at Kenya's Jomo Kenyatta University of Agriculture and Technology, Tanzania's University of Dar es Salaam, and South Africa's University of the Witwatersrand offer masters-level courses in entrepreneurship and innovation. Other schools offer even more specialized training for inclusive business, usually in the form of certificate courses for executives. The Gordon Institute of Business Science in South Africa offers a Social Entrepreneurship Certificate Programme, the University of Cape Town Graduate School of Business offers a



Sustainable Business Programme, and the Makerere University Business School in Kampala, Uganda, offers a post-graduate diploma in microfinance. In addition, some business schools such as those at South Africa's North-West University and Kenya's Strathmore University support business development within small and medium enterprises (SMEs). The Rockefeller Foundation is funding research on impact investing in several African countries, a project that aims to understand policy barriers and recommend national policies that could encourage the growth of the impact investing industry.

□ **The new paradigm of business with social benefits is increasingly being discussed in major media outlets**

International outlets with a focus on Africa, such as CNN's Marketplace Africa and BBC's Africa Business Report, as well as home-grown business magazines such as Pan-African Business Magazine, Africa Investor, African Business and the African Business Review, or Jeune Afrique, Afrique Magazine and Afrique Expansion in francophone Africa, regularly report on businesses that engage with low-income populations in sub-Saharan Africa.

2.3 Opportunities

While much research has been done on the inclusive business concept per se in the last decade, to date the field has lacked a closer look specifically at the situation in sub-Saharan Africa. Companies in need of detailed market information are usually forced to conduct relevant research themselves or in conjunction with partners that are not specialized in this task or region. Interest in inclusive business as a new approach to business is increasing in Africa, but many local business leaders and entrepreneurs remain unfamiliar with the concept. These gaps present a number of opportunities for intervention.

❖\$ **International development partners and companies can support the development of local research and advocacy capacities**

First steps are already being taken in this direction. The German Investment and Development Corporation (DEG), for example, has entered a partnership with leading



German market research institute GfK to build market research capacities within sub-Saharan African universities. The Rockefeller Foundation has provided a grant to various African universities to do research on impact investing. Google, the Meltwater Group and other software development firms are collaborating with university IT departments, especially in Kenya, or even setting up schools and universities themselves, with the aim of nurturing local IT capacities. The Academy of Management, the most important organization of management researchers globally, held its first meeting in Africa in Johannesburg in January 2013. International research centres and universities can certainly collaborate more closely with local partners and build stronger bridges, however.

□§ Good examples should be showcased in order to stimulate replication

Many companies and entrepreneurs have no idea what forms inclusive business can take. Awards and other forms of public recognition could highlight successful business models and motivate others to follow in their predecessors' footsteps. Some international award schemes already exist and have recognized African examples. These include the World Business and Development Awards, the G-20 Challenge on Inclusive Business Innovation, and the SEED Awards for Entrepreneurship in Sustainable Development. Business plan competitions such as the BID Network and the New Ventures programme also provide access to funding and technical support. Governments, intergovernmental organizations and business associations would all be well placed to run similar schemes with a focus on sub-Saharan Africa or even on individual countries in the region.

⊙❖□ Capacity-building can enable local entrepreneurs to found inclusive businesses

Local entrepreneurs in sub-Saharan Africa today have little recourse to sources able to teach them how to combine social and commercial goals. Development partners could collaborate with local universities, chambers of commerce, or business incubation centres to provide information about this approach. International impact investors or local business schools could create mentoring and coaching programmes for local entrepreneurs. Chambers of commerce and other business associations could also offer seminars and awareness-raising events.



□ **Platforms can share research and development costs among companies**

Early-stage market research and pilot projects are often too expensive and risky for one company or organization to perform alone. Platforms are needed that enable companies to engage with one another, articulate their interests, pool their resources, and conduct joint research and innovation. Formats familiar from the venture capital world, such as accelerators or incubators, can be adapted to the needs of inclusive business development.



3 Creating incentives

Commercial or policy-based incentives provide prospective inclusive businesses with the motivation to invest, by offering commercial prospects that may otherwise be lacking within low-income markets. Aspen Pharmacare Holdings Ltd., which produces many of the medicines used to treat people with HIV/AIDS in South Africa, demonstrates the value of this approach. The company was induced to invest in this sector through clear incentives by the government of South Africa, in the form of investment tax breaks and a guaranteed market. However, incentives can be created by corporate-driven policies as well as through public policy.

- **Public policies** include laws and regulations, as well as associated funding priorities and implementation activities. They can be put in place by national governments, development partners or by multilateral institutions. They create incentives for inclusive business in three ways: by removing barriers and creating an enabling environment for companies to build their businesses; by empowering low-income people to participate in markets; and by creating direct rewards for companies that integrate low-income people into their operations.
- **Corporate-driven policies** can be divided into two broad categories: policies that define internal guidelines within a company, and policies that set standards and aspirations within a broader set of actors. These actors may be other companies, but can also include CSOs, intermediaries, public and private development partners, and governments. Standards and certification schemes are particularly relevant here.

Case study 3: Aspen in South Africa – Tax benefits enabled growth

Aspen Pharmacare Holdings Ltd (Aspen) is a major pharmaceutical manufacturer headquartered in Durban, South Africa. It supplies affordable medicines for the treatment of life-threatening diseases such as HIV/AIDS, tuberculosis and malaria. Founded in 1997, the company grew into the largest producer of tablets and capsules in Africa. It has now diversified its product line and markets its products in nearly 100 countries worldwide (including in Latin America, the Asia-Pacific region and



Australia). In the process, it has created thousands of jobs in its manufacturing facilities in South Africa, Tanzania and Kenya.

Aspen's success was enabled in the beginning through incentives provided by government. Given the high prevalence of HIV/AIDS in the country, the South African government recognized the need to produce generic anti-retrovirals (ARV) locally, partly as a result of a decade of sustained activism from civil society organizations. By offering tax incentives, it induced Aspen to invest in manufacturing facilities for this purpose. The government also stood ready to purchase large amounts of ARVs for the national HIV/AIDS programme. That investment and the promise of a secure market enabled Aspen to gain voluntary licenses from a number of multinational patent-holders, allowing it to produce a broad array of ARVs.

Today, South Africa has a free, universal, public-sector HIV/AIDS treatment programme, thanks in large part due to the consistent, locally produced supply of cheap, generic ARVs from Aspen and several other companies.

3.1 Challenges

Incentives for doing business in sub-Saharan Africa are generally lower than in other world regions, since obstacles are high. Regulation and red tape in many of the region's countries make it costly to set up and run a business. Of the 48 countries in sub-Saharan Africa, only Mauritius and South Africa make it into the top 50 countries in the World Bank's ease of doing business rankings, and only another four countries – Rwanda, Namibia, Seychelles and Zambia – are in the top 100. The remaining countries are mostly at the bottom of the list.⁵⁷ This means that these countries typically have costly, highly bureaucratic procedures for starting a business, obtaining construction permits, registering property, conducting cross-border trade and paying taxes. Survey data shows that business managers in sub-Saharan Africa spend between 5% and 10% of their time dealing with regulators.⁵⁸ In addition, weak institutions mean that regulations cannot be properly enforced and that changes in political regimes can have major effects on business, factors that significantly raise

⁵⁷ The World Bank. (2012). Doing Business 2013: Doing Business in a More Transparent World. Washington, DC: World Bank.

⁵⁸ Vijaya Ramachandran, Alan Gelb and Maju Kedia Shah (2009). Africa's Private Sector: What's Wrong with the Business Environment and What to Do About It. Paris: CGAD.



levels of insecurity.⁵⁹ As a result, Africa has the most challenging regulatory environment of any comparable region (see Figure 13).

Figure 13. Strength of legal institutions and complexity and cost of regulatory processes by region

Source: World Bank (2012). Doing Business 2013.

This picture is by no means uniform, as demonstrated by the time it takes to start a business in various locales (see Figure 14). While in some countries it takes more than 100 days to start a business, others have implemented reforms making business creation easy. In Rwanda, for example, this process takes just three days, and only six days in Liberia.

Figure 14: Days to start a business for selected sub-Saharan African countries

Source: World Bank (2012). Doing Business Database

Low-income people mostly make use of informal markets, since they often cannot afford the legal procedures, lack access to legal identity documents or simply fail to perceive any benefit associated with using formal structures.⁶⁰ In Africa, as many as nine in 10 workers have informal jobs.⁶¹ In many areas, women and young people in particular lack the opportunity to work in any other context than the informal market.⁶² In 2000, the average size of the informal economy as a percentage of gross national income ranged from under 30% in the continent's largest economy, South Africa, to

⁵⁹ Dianna Games (2011). Doing business in post-conflict and fragile states: Challenges and risks. Development Planning Division Working Paper No. 23. South Africa: Development Bank of South Africa (DBSA), 25-27.

⁶⁰ UNDP (2008). Making the Law Work for Everyone. New York: United Nations Rule of Law, Commission on Legal Empowerment of the Poor.

⁶¹ McKinsey Global Institute (2012) Africa at work - Job creation and inclusive growth. New York: McKinsey & Company.

⁶² ILO (2009). The informal economy in Africa: Promoting transition to formality: Challenges and strategies. Geneva.



almost 60% in Nigeria, Tanzania and Zimbabwe.⁶³ Informality poses obstacles to the creation of useful business links, however. Formal companies find it difficult to procure products and services from informal organizations, while banks and other financial services are often reluctant to provide banking services when prospective clients are unable to document their identity or produce financial records.

Corporate policy-making (e.g., in the form of standards-setting) also requires an institutional infrastructure. But certification agencies are available only in the larger economies, making certification procedures rather expensive.

3.2 Achievements

The general business environment in Africa is improving as governments make efforts to enhance business regulation and regional economic communities (RECs) work to facilitate cross-border trade. However, few governments have created explicit incentives for companies to integrate low-income people into their operations, with the striking exception of South Africa and its Black Economic Empowerment programme. Public procurement and smart subsidies have to some extent been used to reward social benefits associated with business activities. International development partners have been more explicit in creating incentives by providing grants to companies to develop inclusive businesses. The development of the international carbon emissions market has also resulted in mechanisms rewarding inclusive businesses.

Companies themselves, in collaboration with other actors, have developed standards that enable them to price social benefits into their products. Roundtables and platforms have helped to develop these standards.

§ Governments in many countries have improved business environments

In 2010 – 2011, the Organization for the Harmonization of Business Law in Africa, which requires the consensus of its 16 member states for decisions, began work on

⁶³ Sher D. Verick (2006). "The Impact of Globalization on the Informal Sector in Africa". New York: Economic and Social Policy Division, United Nations Economic Commission for Africa (ECA) and Institute for the Study of Labor (IZA). www.iza.org/conference



harmonizing the region's commercial laws.⁶⁴ The World Bank finds that among the 50 economies showing the biggest improvements in business regulation since 2005, the largest share – a third – are in sub-Saharan Africa.⁶⁵ Beyond enhancing general business regulations and institutions, however, specific regulations may be required to enable inclusive business.

Box 14: Interview with Liban Egal, CEO of First Somali Bank, Mogadishu

In May 2012, Liban Egal opened First Somali Bank, the first fully functioning bank in Somalia after 20 years of war. In addition, the Somali entrepreneur, who returned to his homeland after having lived abroad for more than 20 years, also operates his father's printing company and set up a survey-based research company, a wireless broadband provider and a mobile-based money-transfer system.

One often hears that the level of rules and regulations in many parts of Africa is not conducive to business, but in Somalia it's perhaps the absence of any regulation that creates the uncertainty. How are you dealing with this challenge?

On the one hand, the absence of regulations makes it very easy to start businesses in Somalia. There are no dozens of forms to fill out, no bureaucracy to deal with, and no expensive registration fees to pay. On the other hand, the absence of enforceable rules or contract laws also means that business cannot function normally. For instance, First Somali Bank cannot grant credit to anyone because we cannot ensure the repayment of loans or enforce a contract in case of a default. You definitely need a regulatory framework to develop a formal economy, but rules need to be simple and designed to make markets work: otherwise, with too much regulation, you drive businesses underground or you just keep the economy informal, to no one's advantage.

What do you expect from a regulatory environment in order to allow you to succeed?

Now that we are slowly getting back a functioning government, policy makers need to have some understanding of how business works. People who are returning to Somalia now used to work during the era of Siad Barre, when our economy was highly controlled. If we just restore the old rules, rather than creating new frameworks, there is little chance of new investment. I will give you one more example: At the moment taxes here are very low. You can import goods through the harbour and you will be taxed on volume, not value, regardless of whether the shipment is worth \$1,000 or \$100,000. This is absurd and needs to change so that government can collect enough taxes to pay for a functioning civil service, police service, etc.

What policies would be useful to facilitate financing of inclusive business?

We need a functioning administration and civil service. I love the concept of inclusive business, but we

⁶⁴ The World Bank (2012). Doing Business 2012: Doing Business in a More Transparent World. Washington, DC: World Bank.

⁶⁵ World Bank (2012). Doing Business 2013: Doing Business in a More Transparent World. Washington, DC: World Bank.



also need an entity to drive that forward: some pan-African or international agency, or some association of countries to drive this idea.

§ Governments are opening up markets for inclusive business

Many governments acknowledge the contribution the private sector can make to development, and are opening markets traditionally dominated by the state such as energy, health care and education. Supported by the World Bank, Mali's government created regulation that allowed private operators to offer energy services. Immediately after the 2006 regulation was put in place, 50 small operators applied and received a license to operate small energy businesses. Sector-specific policies play an important role here. Kenya, for example, could attract investment to build renewable energy capacities and increase access to modern energy services by improving the regulatory environment and creating incentives, such as feed-in tariffs.

§ Regional integration is improving conditions for business generally and for inclusive business specifically

Regional integration is progressing in Africa, with RECs such as the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC), among others, working to facilitate regional trade and coordinating initiatives under the umbrella of the African Economic Community (AEC). Reduced tariffs and customs, faster processing times at borders, and better regional logistics networks have facilitated commercial activity. Economic communities also coordinate with one another to advance themes more specifically relevant to inclusive business. The World Bank estimates that the gradual removal of regional trade barriers could generate an additional \$20 billion in agricultural produce trade, boost production overall, reduce dependence on imports from other continents and increase food security.⁶⁶

Box 15: CAADP helps to improve smallholder integration policies

The Comprehensive Africa Agriculture Development Programme (CAADP) works through regional economic communities and national roundtables to boost agricultural productivity across Africa.

⁶⁶ World Bank (2012). Africa can help feed Africa – Removing barriers to regional trade in food staples. Washington, DC: World Bank.



CAADP is the agricultural programme of the New Partnership for Africa's Development (NEPAD), which in turn is a programme of the African Union (AU). Established by the AU assembly in 2003, CAADP focuses on improving food security and nutrition and increasing incomes in Africa's largely farming-based economies. It aims to achieve these goals by raising agricultural productivity at least 6% per year and by increasing public investment in agriculture to 10% of annual national budgets. CAADP promotes the integration of regional markets and works to raise the competitiveness of locally sourced products in these markets. It also works with development partners. For example, the U.S. African Growth and Opportunities Act has streamlined the rules governing African exports to the United States.

Source: www.nepad-caadp.net

Public policy can also create direct rewards for organizations that integrate low-income people into their value chains, in the following ways.

❖ **International development partners provide vital incentives for companies starting inclusive businesses**

Most examples contained in our analysis have benefitted from donor funding and support in some form. Development partners usually provide funding to companies via Challenge Funds and similar vehicles (see chapter 4 for further details). However, development partners further reduce risk by providing technical support and facilitating public-private dialogue, as well as by sharing information on policy intervention models that have supported inclusive business in other countries. Development finance institutions (DFIs) involved in financing businesses can also help mitigate political risk using their preferred creditor status. DFIs are increasingly pushing for compliance with strict environmental and social criteria as part of their additionality assessment criteria, thus implicitly rewarding inclusive business approaches.

§❖ **Public procurement offers a significant opportunity for governments to reward inclusive business**

Public procurement accounts for a large portion of national budgets, representing around 25% to 30% of GDP in developing countries.⁶⁷ This can be used to reward

⁶⁷ Rita Roos (2012). "Sustainable Public Procurement". New York: United Nations Procurement Capacity Development Centre and the United Nations Environment Programme, 2012. www.unpcdc.org/media/390120/spp_brief_en_2012-02-06.pdf.



businesses that work with low-income people as producers and employees. With its BEE programme, South Africa has the region's most extensive inclusive procurement scheme, under which all suppliers have to demonstrate how they contribute to creating opportunity for the historically disadvantaged population.

Governments and development partners are also building inclusive businesses' capacities, making them eligible for public procurement. In Dar es Salaam, Tanzania, the local government aims to include low-income communities in its waste collection and municipal cleaning services. Since community-based organizations (CBOs) usually cannot afford to buy the vehicles required to transport the waste to the main dump site, the municipality takes care of this task. The municipality also assists CBOs with capacity-building and fund management.

Box 16: WFP purchases for progress

The World Food Programme (WFP) sources directly from smallholder farmers through its Purchase for Progress programme, which gives smallholder farmers in 21 pilot countries the opportunity to sell to a reliable buyer and receive a fair price for their crops. The programme has worked with more than 1,000 farmers' organizations, representing more than 1.1 million farmers, since its launch in September 2008. More than 200 of those farmers' organizations have been contracted to sell more than 200,000 metric tons of food to WFP, and more than 116,000 farmers, warehouse operators and small and medium-sized trading firms have been trained in skills including organization management, farming techniques, quality control, and post-harvest product handling.⁶⁸ These investments directly contribute to food security over the long term.

Source: www.wfp.org/purchase-progress

§§ By acting as anchor buyers, governments and development partners reduce risk and provide a secure market for inclusive businesses

These purchases serve as a vetting process that signals quality and reliability to other potential customers. Following the end of the conflict in the Democratic Republic of the Congo in 2004, the government used Celpay, a mobile payments service created by mobile phone operator Celtel (now airtel), to pay salaries to 150,000 combatants as part of a reintegration programme. In South Africa, Amanz' abantu Services won a government tender to provide water services to rural

⁶⁸ See WFP Purchase for Progress website www.wfp.org/purchase-progress/overview



populations in the Eastern Cape region. Users receive 25 litres per day for free, and pay for additional water with a smartcard.

§ International policies also establish payments for conservation and ecosystem services

Global ecosystem-balancing functions, such as those performed by the climate, the oceans or the rainforests, can only be maintained on global basis. The United Nation's Clean Development Mechanism (CDM) is the first mechanism that rewards contributions to the maintenance of such functions, in this case the climate. It enables companies in industrialized countries to realize some of their own emission reduction targets by enabling emission-reduction activity in developing countries. Businesses that reduce or capture carbon emissions can thus generate additional revenues from the carbon market. Cook stoves distributed by Toyola, the Kuyasa retrofitting project in South Africa and ToughStuff solar lamps are just some examples that benefit from this new market. Similar systems could be established for other activities that support or protect ecosystems such as coastal areas or rainforests.⁶⁹

§ Empowering low-income people to participate in markets also increases incentives for doing business with them

Increasing purchasing power within low-income communities enables residents to access products and services as consumers. South Africa's social grant system directly transfers around \$13 billion per annum in cash to 17 million beneficiaries.⁷⁰ In Ethiopia, 8 million people benefit from the Productive Safety Nets Programme, which provides grants and employment opportunities in public works programmes.⁷¹ Transfers are sometimes made conditional upon certain actions, such as school attendance or health care. In Malawi, girls received a grant to enable them to go to school.⁷² Cash transfer programmes can thus be a means of creating demand for certain services such as health care or education.

⁶⁹ Anantha Kumar Duraipappah (2006). "Markets for Ecosystem Services – A Potential Tool for Multilateral Environmental Agreements". Geneva: International Institute for Sustainable Development.

⁷⁰ www.sassa.gov.za

⁷¹ Catherin Arnold, Tim Conway and Matthew Greenslade (2011). Cash Transfers Literature Review. London: DFID.

⁷² Sarah Baird, Ephraim Chirwa, Craig McIntosh and Berk Özler (2010). Schooling, Income, and Sexual Behavior: The Design, Implementation, and Short-Term Impacts of a CCT Programme for Schooling in Malawi. (available at http://www.iza.org/conference_files/riskonomics2009/4990.pdf).



§ Smart subsidies help to increase demand more directly

Smart subsidies are mechanisms which provide subsidized goods and services to a specific population while simultaneously developing specific markets.⁷³ In Mali, the Malian Agency for the Development of Household Energy and Rural Electrification (Amader) provides subsidies of up to 70% for expansion of the services provided by the Rural Energy Services Companies. Subsidies are cut when the companies' profit margins exceed 20%. In this way, the government supports the creation of a market for energy services.⁷⁴ Indeed, part of what it means for a subsidy to be “smart” is that it is automatically reduced once the target market has matured.

□ Standards help companies benefit from good practices

Standards and related certification systems enable companies to set and enforce minimum technical, social and environmental standards. Standards such as the well-known fair trade certification are often used to reward inclusive production processes. The fair trade movement aims to help developing country producers derive more benefit from their products, while promoting sustainability. Private equivalents of the public carbon market standards enable companies to sell and buy carbon credits voluntarily, again creating incentives for inclusive business practices.

Standards are also employed to signal quality to low-income consumers. Some solar lamps, for example, have disappointed users by failing shortly after their purchase, a significant cost to low-income consumers. A new quality seal by the Lighting Africa initiative shows users which products they can trust.

Box 17: Fairtrade Africa provides standards for 700,000 African farmers

In 2011, Fairtrade Africa, part of the Fairtrade International network, counted over 300 producer organizations among its members, an increase of 25% over the previous year. In 2010, the group's 700,000 farmers and workers in 29 African countries shared total sales revenue of \$175 million from fair trade products. Producers also received over \$18 million in Fairtrade premiums, which were invested in community projects.

In Burkina Faso, multinational cosmetics company L'Occitane en Provence bought over 500 tons of shea butter at the fair trade price in 2011, about double the ordinary local market price. Supplier cooperatives and their 15,000 rural women members received \$1.2 million in revenue as a result.

⁷³ Nicholas Minot and Todd Benson (2009). Fertilizer Subsidies in Africa-Are Vouchers the Answer? Washington DC: IFPRI. www.ifpri.org/sites/default/files/publications/ib60.pdf

⁷⁴ Information is based on the GIM case study (2006).



About 2% of this revenue goes to community development projects such as a mutual health insurance program.

Source: Fairtrade Africa (2012) Annual Review 2011

Box 18: The Gold Standard rewards inclusive carbon savings

The Gold Standard is an independent standard applied to high-quality emission reductions projects in both the voluntary and regulated carbon markets. It is designed to ensure that carbon credits are not only real and verifiable, but that they make measurable contributions to sustainable development. The Gold Standard for the regulated market was developed in 2003 by the World Wide Fund for Nature, SouthSouthNorth, and Helio International. The voluntary standard was added in 2006, again based on an extensive consultative process. Companies that use Gold Standard credits to offset their emissions benefit from a well-recognized label. This reputation also enables the Gold Standard Foundation to charge higher prices, which provides clear incentives for project developers to address low-income communities. Three projects in the GIM database – Toyola, Kuyasa and ToughStuff – have benefited from Gold Standard certification.

Source: www.cdmgoldstandard.org

\$ Companies use topic-specific platforms to reduce barriers and enhance incentives for inclusive business

These platforms bring together companies and other actors to invest jointly in commonly beneficial goods such as infrastructure or capacity-building. A number of such platforms work to enhance quality and benefit smallholder farmers within particular value chains, including the Sustainable Tree Crops Programme, the Competitive African Cotton Initiative (COMPACI) and the African Cashew Alliance. Taking a more geographic-based approach, at least two major regional development groups in sub-Saharan Africa channel public and private investment into agricultural value chains. The Southern Agricultural Growth Corridor of Tanzania and the Beira Agricultural Growth Corridor are specifically aimed at integrating small producers from low-income communities into the mainstream economy, and respectively work to link the governments of Tanzania and Mozambique with international investors and development partners.⁷⁵

⁷⁵ www.sagcot.com and <http://www.beiracorridor.com/>



\$ Through licensing, large companies enable smaller players to create inclusive businesses

Aspen Pharmacare has received voluntary licenses from some of the largest global pharmaceutical companies, including GlaxoSmithKline, Boehringer Ingelheim and Bristol-Myers Squibb. A to Z Textiles benefited from a royalty-free technology transfer from Sumitomo Chemicals as part of a joint venture aimed at producing long-lasting insecticide-treated mosquito nets. These voluntary license agreements can involve assistance with product manufacturing and distribution.

3.3 Opportunities

Specific incentives for inclusive business remain comparatively scarce, especially on the part of governments in sub-Saharan Africa. More – and better-crafted – measures to reward inclusiveness and social benefits can help to offset the often greater costs of operating in low-income communities. This in turn can help the market-led approach to poverty alleviation grow to a more significant scale, giving concrete meaning to inclusive growth policies at the micro level.

❖ Development partners should provide more technical and policy-dialogue support to inclusive businesses, and align their various activities

Inclusive business programmes account for a very small part of the activities of development partners, with other activities sometimes creating disincentives for inclusive business. For example, by providing items such as mosquito nets, family planning products or fertilizer free of charge, development partner programmes may in fact undermine local markets. Development partners should also review how they can provide incentives beyond direct funding. For example, they could consult with national governments on developing better policy environments, support companies by leading a dialogue process with governments, support the establishment and operation of thematic platforms, fund the development of local intermediaries providing services to companies, or provide technical support. This can often be



achieved by integrating existing country programmes (such as those focused on private sector development) with global inclusive business programmes.⁷⁶

§ Governments can integrate inclusive business incentives into mainstream policy-making

The inclusive business approach links economic and human development, thus achieving “inclusive growth”. Frameworks such as the UNDP’s inclusive market development or the multi-donor Making Markets Work for the Poor approach show how economic and human development policy can be purposefully aligned. For example, inclusive strategies can be integrated into public procurement processes.

§ Governments should embrace private sector innovation

Enterprises’ efforts to establish innovative business models that include the poor are often stifled by the regulatory environment, for example when a government refusea to provide operating licenses. More flexible approaches to new models and more openness to private sector engagement can significantly reduce barriers to inclusive business.

⊙ Research institutes can develop measures of inclusiveness

It is often hard to judge from the outside whether a business is truly inclusive, and to what degree. To be sure, some companies cater exclusively to low-income populations, but the number of these is not high. Many businesses procure from, engage, employ or cater to low-income communities as just one part of their business. By creating an index of inclusiveness or similar tool, research institutes could facilitate the acknowledgement of these contributions.

□ Lobbying groups can advocate for policy change to incentivize inclusive business

Business associations, CSOs and universities can take the lead in organizing advocacy for a new way of doing business. Cross-sector alliances, not just between the private and public sectors, but also across industries such as energy, agriculture, financial services or health care can be particularly powerful. This type of joint effort

⁷⁶ Bertelsmann Stiftung and UN Global Compact (2011). Partners in Development - How Donors can better engage the private sector for development in LDCs. Gütersloh/New York: Bertelsmann Verlag/UNGC.



is less prone to rent-seeking behaviour than are purely company initiatives, and are more credible in articulating the needs of low-income people.

\$ Corporate policies can set incentives internally and for subcontractors

Companies can establish codes of conduct or strategies that include incentives to integrate low-income communities into their operations. For example, Mondelez International (formerly Kraft Foods) Europe has committed to sourcing its entire coffee bean supply in a sustainable manner by 2015.⁷⁷ To achieve this goal, the company now works closely with smallholder farmers and development partners to improve its supply chain and ensure a fair deal for farmers. In 2010, Unilever, another major multinational consumer goods company, set a goal of reaching more than 1 billion people as customers while halving its environmental footprint and sourcing 100% of its agricultural raw materials sustainably.⁷⁸ To achieve this aim, the company has set up a number of innovative projects that target low-income communities with sustainable products such as efficient cook stoves. As part of its commitment to sustainable agriculture, Walmart aims to sell \$1 billion in food sourced from 1 million small and medium-sized farmers, provide training to 1 million farmers, and increase income for the company's small and medium-sized farm-product producers by 10% to 15%. These benchmarks create incentives for innovation and investment within the company, and encourage competitors to follow suit.

□ Standards and labels should be harmonized and promoted to increase recognition among the target group

Consumers are often confused by today's diversity of labels and initiatives. Harmonization can help to facilitate recognition. In the European Union, a single label with minimum standards governing organic production practices has been introduced. Even though a multitude of organic labels with different standards exist, some more stringent than others, consumers now need recognize just one label in order to identify an organic product. A similar approach may help to expand the market for fair or ethical products. The 4C Association, an international platform for stakeholders in the coffee sector, and the Rainforest Alliance, an international CSO

⁷⁷ See Mondelez International website

www.kraftfoodscompany.com/eu/en/Responsibility/sustainability/index.aspx

⁷⁸ See Unilever website www.unilever.com/sustainable-living/ourapproach/oursustainabilitystrategy/



dedicated to the conservation of tropical rainforests, have created a translation mechanism that allows Rainforest Alliance certificate holders to apply for the 4C License without having to undergo the 4C verification process in its entirety.⁷⁹ In addition, media and standards organizations can help to raise awareness of existing labels. Pooling resources to engage in awareness raising and collective marketing can help all parties involved.

□ **Local monitoring and certification bodies are required**

Enforcing standards becomes costly when local providers of monitoring and certification services are not available. And indeed, many sub-Saharan African countries lack local bodies capable of monitoring compliance with carbon trading, fair trade, organic production and other standards. Service providers should expand their services in this region.

⁷⁹ UNCTAD (2011). "Promoting standards for responsible investment in value chains". G20 report to the High-Level Development Working Group.



4 Making investments

Inclusive businesses often need initial investments to carry them through the point of operating stability. GADCO, a Ghanaian company that today grows rice for its local market, demonstrates this start-up hurdle. Despite a solid business model, GADCO required investment by external capital providers in order to construct its initial farm and training facilities, as interest rates on local loans were insupportably high. Funding for inclusive business either comes from within the organization developing the new business or from external sources. Financial instruments available to entrepreneurs differ substantially across organizational backgrounds.

- At the **corporate level**, internal financial resources, including from corporate foundations, are usually complemented by external finance in the form of grant, debt or equity funding.
- At the **SME level** (including social enterprises), funding is provided by commercial banks, DFIs, impact investment funds or larger business partners.
- At the **micro-enterprise level**, especially in the case of informal businesses, micro-finance institutions (MFIs) and value-chain partners (e.g., buyers of agricultural products) often provide credit.

Case Study 4: GADCO in Ghana – Attracting financing to work with smallholders

The Global Agri-Development Company (GADCO) is an integrated agri-food company based in Ghana. It aims to integrate smallholder farmers in the central Volta region into the agri-food and agri-processing value chain and to provide reliable food products to African customers at competitive prices. GADCO started to roll out this model with rice as its first product. It established a commercial nucleus farm, which provides local small producers with training in sustainable agricultural practices, equipment, and production inputs such as high-yield seeds, fertilizer and irrigation equipment. GADCO started business in 2012, and aims to include over 11,000 farmers and their families in the next five years, while tripling these individuals' incomes.

With annual interest rates of 30% for a standard loan in Ghana, starting up the business would not have been possible without outside help, given the initial capital requirement of more than \$2 million. In its early days, GADCO thus received financial support from banks and impact investors aiming for financial, social and environmental returns. The Acumen Fund provided an equity investment of \$1.5 million, while Summit Capital and the Africa Agriculture and Trade Investment Fund (AATIF) also provided capital. AATIF is a public-private partnership funded by the German government, KfW and Deutsche Bank that provides patient capital to inclusive



businesses. Finally, impact investor Root Capital provides GADCO with procurement credit, enabling the company to pay its farmers in advance for their inputs.

4.1 Challenges

Inclusive businesses often find it more difficult to attract investment than do mainstream businesses, both because they venture into challenging low-income markets and experiment with new business models. As a result, traditional banks and other mainstream investors perceive these as high-risk businesses, a fact that drives interest rates up and makes equity investment hard to find. These businesses therefore require “patient capital” – that is, capital invested over comparatively long time horizons, with a greater tolerance for risk and lower return expectations than are typically shown by mainstream investors.⁸⁰ The rewards for such patience can come in the form of profitable expansion into underserved markets, improved reputations, and stronger stakeholder relations.

Access to credit has been a particular problem in sub-Saharan Africa. According to the World Bank Enterprise Survey, 44.9% of African companies regard access to finance as a major obstacle to their activities.⁸¹ On average, only 23.1% of enterprises have loans or lines of credit, a significantly lower share than in other developing countries (see Figure 11).

Figure 15: Access to bank loans across countries, 2006 – 2010

Source: AfDB (2011) Financing Africa: Through the Crisis and Beyond

Many SMEs and MSMEs in Africa evolve in the informal sector and are therefore unable to give banks the minimum information they require to grant a loan, such as legal documents or financial statements. However, even SMEs in the formal sector face difficulties. Accounting standards in the region are lax or even altogether absent. Credit bureaus either do not exist or are ineffective. Risk capital is even more difficult to raise than debt finance. Unlike in the rest of the world, start-up facilities, venture

⁸⁰ Thomas L. Friedman (2007). ["Patient Capital for an Africa That Can't Wait"](#). The New York Times, April 20, 2007.

⁸¹ World Bank Enterprise Survey. www.enterprisesurveys.org



funds, private equity investments and angel investors play a very minor financing role in sub-Saharan Africa.⁸²

Micro-enterprises can benefit from micro-finance loans and value chain finance from business partners. On the other end of the spectrum, large companies can usually leverage capital provided internally or raise finance through investors and commercial banks. However, there is a “missing middle” – the investment bracket for firms that need between \$1,000 and \$100,000.⁸³ This leaves many promising inclusive business concepts unrealized. According to research conducted by the IFC and McKinsey Global Institute, the total financing gap for SMEs in Africa is between \$140 billion and \$170 billion.⁸⁴

4.2 Achievements

“Impact investment” is a relatively new concept, in which traditional financing instruments such as equity and debt are employed for social purposes. Most impact investors supporting inclusive business projects in Africa have to date been international actors, mainly DFIs, private foundations and investment funds. However, a local impact investing scene is evolving. Challenge funds are providing grant funding in an effort to catalyze inclusive business models. Local banks are increasing their SME lending portfolios, while MFIs cater to micro-businesses. Remittances play a critical role in financing the region’s MSMEs.

❖ Impact investing is an investment approach combining social and commercial objectives

Impact investments are investments made in companies, organizations or funds with the intention of generating measurable social and environmental impact as well as financial return.⁸⁵ Impact investing occurs across asset classes and includes private equity and venture capital as well as debt. Impact investors include venture capital

⁸² Julian Lefilieur (2009). Financing SMEs in a context of strong information asymmetry. Private Sector & Development (1) : 13.

www.proparco.fr/lang/en/Accueil_PROPARCO/Publications-Proparco/secteur-prive-et-developpement

⁸³ Dalberg Global Development Advisors (2011). Impact investing in West Africa. New York: Dalberg.

⁸⁴ Peer Stein, Tony Goland and Robert Schiff (2010). Two Trillion and Counting: Assessing the credit gap for micro, small and medium-sized enterprises in the developing world. New York: IFC and McKinsey.

⁸⁵ www.thegiin.org



and private equity funds, DFIs, foundations, and institutional investors. The balance between social and commercial objectives can vary depending on an investor's background and mission: while foundations may provide funding at 0% interest, private equity funds tend to expect financial returns. Impact investing is expected to become a major source of finance for inclusive business projects over the next 15 years. According to the Dalberg consultancy, impact investors intend to spend \$3.2 billion in West Africa alone over the next five years.⁸⁶ In a recent survey by the Global Impact Investing Network, 34% of the 99 respondents said they focused their investments on Africa.⁸⁷

❖ Local impact investors are beginning to play a role

A new breed of high-net-worth individual is emerging in Africa, with these figures seeking to use their wealth to make an impact in their homelands. Over the past decade, high-profile business personalities have created foundations with significant endowments to support the growth of African entrepreneurship. Examples include the Tony Elumelu Foundation, and the Dangote Foundation.

Box 19: The Tony Elumelu Foundation supports African Diaspora entrepreneurs

The Tony Elumelu Foundation is an African non-profit organization founded in 2010 by Nigerian businessman Tony O. Elumelu. The foundation aims to promote excellence in business leadership and entrepreneurship across Africa. For example, the African Markets Internship Programme (AMIP), matches MBA students from top African and international business schools with innovative mid-sized African-owned businesses across the continent. The foundation also invests in innovative African business that creates financial, social and environmental impact in key development sectors. As the African champion for impact investing, the Foundation also works to build the field across Africa and serves as the African voice on the subject.

Source: www.tonyelumelufoundation.org

❖ Development partners use challenge funds to incentivize innovation

A challenge fund awards public funds to private companies on a competitive basis, with grants linked to the quality and expected impact of the project. Challenge funds provide incentives for businesses to address particular social and/or environmental

⁸⁶ Dalberg Global Development Advisors (2011). *Impact investing in West Africa*. New York: Dalberg.

⁸⁷ Yasemin Saltuk, AMit Bour, Abhilash Mudaliar and Min Pease (2012). *Perspectives on Progress – The Impact Investor Survey*. New York: Global Impact Investing Network (GIIN) and JP Morgan.



issues. They usually provide matching grants, with the private partner contributing at least half of the total investment. Obtaining funding from public sources can be a lengthy process that requires the devotion of considerable resources to administrative requirements. However, enterprises that have obtained funding from such institutions often find it much easier to gain access to additional funding options.

Box 20: The Africa Enterprise Challenge Fund (AECF) finances innovations

The Africa Enterprise Challenge Fund (AECF) was specifically designed to support inclusive business practices in Africa. This \$190 million private-sector fund is backed by the Australian Government Aid Programme (AusAid), the Danish International Development Agency (Danida), the U.K. Department for International Development (DFID), the International Fund for Agricultural Development (IFAD), the Netherlands Ministry of Foreign Affairs (NMFA), and the Swedish International Development Cooperation Agency (Sida). The fund calls for proposals from all countries in Africa, and offers between \$250,000 and \$1.5 million in grant funding per award. Since its launch in 2008, the fund has overseen fourteen investment competition rounds, supporting new investment in the agribusiness, renewable energy, climate change adaptation, rural financial services, and media and information sectors. In sum, AECF has granted financial support to 133 projects in 22 countries across Africa.

Source: www.aecfafrica.org

Box 21: Youth-to-Youth Funds catalyze young entrepreneurs

The Youth-to-Youth Funds provide funding and capacity-building to youth organizations in East and West Africa in order to help young people set up their own businesses. The funds are an initiative of the Youth Employment Network (YEN), itself a joint initiative of the United Nations, the International Labour Organization (ILO) and the World Bank, hosted by the ILO. With funding from the group's challenge funds, youth organizations can support and fund the setup of youth cooperatives. More than 450 businesses have been initiated or supported by the Youth-to-Youth Funds to date.

Source: <http://www.ilo.org/public/english/employment/yen/whatwedo/projects/y2y/>

❖ Value chain programmes fund interventions along the value chain, enhancing business conditions

Development partners are increasingly using value chain approaches to make sure interventions are market-based and sustainable. By closing gaps in value chains, these programmes provide coordination and investment that enables the private



sector to step in on a sustainable basis. They thus provide indirect financing to inclusive businesses by reducing the costs of reaching the low-income market.

Box 22: AFIM's catalytic fund for cross-border agribusiness

The UNDP AFIM's Catalytic grant provides funding to value chain development initiatives in the agribusiness and agro-industries sectors that promote the MDGs through income and employment creation and improved food security. NGOs can apply for the grant as “project promoters” tasked with stimulating cross-border and regional value chains, attracting private investment or supporting regional institutions. The Sahelian Onion Productivity and Market Enhancement Programme, for example, works with 2,500 farmers and value chain actors in Ghana and Burkina Faso to increase production and productivity of the onion farmers and reduce post-harvest losses. The participants were trained in good agricultural practices and provided with improved planting

Source: AFIM (2012) Catalytic Funding for Cross-Border Regional Agri-Food value Chain Projects

\$ Commercial banks are increasingly providing finance to SMEs

Togo-based Ecobank, for example, has grown its SME portfolio by 269% over the past three years, bringing its total loan book to \$603 million across six countries in West and Central Africa.⁸⁸ While this funding is not necessarily targeted specifically at inclusive businesses, many innovative business models have benefited from standard loans. For instance, Equity Bank and K-Rep Bank, two Kenyan retail banks, provided finance to the Kenya Agricultural Commodity Exchange (KACE), which has successfully helped increase the income of thousands of small-scale farmers. Equity Bank extends credit to farmers, while K-Rep Bank offers financial guarantees during the start-up phase.

\$ Micro-finance eases inclusive businesses' financing needs by providing financial services to their clients and producers

MFIs focus on micro-enterprises and individual entrepreneurs, with average investment sizes of between \$50 and \$1,000. They thus provide indirect support for inclusive businesses by funding their suppliers, consumers and distributors. MFIs' total loan portfolio for Africa reached \$7.2 billion in 2011, covering a total of 5.7

⁸⁸Arnold EKPE, CEO of Ecobank, and Dr. Temitope OSHIKOYA, Senior Policy Adviser, Ecobank. Interview



million borrowers.⁸⁹ In Kenya, solar technology company ToughStuff works in partnership with local MFIs to sell its lamps and make them affordable to its target group by stretching the payment over time, thanks to micro-credit financing.

\$ Mobile technology is encouraging innovation

Safaricom in Kenya has partnered with Equity Bank, one of Africa's leading financial institutions, to develop a savings and micro-loans account called M-Kesho. Under this program, micro-entrepreneurs can apply for 30-day loans of between \$1 and \$60, which can prove crucial in surmounting the cash-flow difficulties often faced by informal businesses.⁹⁰ These instruments take pressure off inclusive businesses, which might otherwise cover these financing gaps themselves, through value chain finance. For example, agribusiness companies often advance seeds and other inputs to their outgrower farmers, recover their costs following the harvest.

Remittances provide “patient capital” to grassroots-level inclusive businesses

The value of remittances flowing towards sub-Saharan Africa was estimated by the World Bank at \$22 billion in 2011, with growth to \$27 billion expected by 2014.⁹¹ In countries such as Eritrea and Cape Verde, remittances account for more than one-third of GDP.⁹² Remittances provide an important source of capital to local entrepreneurs and SMEs operating inclusive businesses.

4.3 Opportunities

There is growing interest on the part of impact investors in identifying and funding inclusive business opportunities in sub-Saharan Africa. What is lacking today is infrastructure able to match this interest appropriately with local demand.

□ Intermediaries are needed to forge links between finance providers, in particular impact investors, and businesses

While more and more money is flowing into Africa, and a significant amount is dedicated to also make a social impact, impact investors and others find it difficult to

⁸⁹ <http://www.mixmarket.org/mfi/region/Africa>

⁹⁰ www.howwemadeitinafrica.com/mobile-banking-moving-beyond-just-providing-transactional-services/4705/

⁹¹ Dilip Ratha and Ani Silwal (2012). Remittances Flows in 2011– an Update. Migration and Development Brief. Washington, DC: World Bank.

⁹² See IFAD website www.ifad.org/remittances/maps/africa.htm



identify businesses that meet their requirements, in terms of a solid business plan, promising business model, and accounting and reporting standards. Local venture capital firms, incubation hubs and angel investors can help to identify investment-worthy inclusive businesses. They can build the capacities of promising ventures to absorb outside capital, help them comply with application and reporting procedures, and assist them in meeting commercial and social-impact expectations. Online marketplaces and business plan competitions can provide forums for entrepreneurs to showcase their ideas.

❖ **Development partners and CSOs should help inclusive businesses become investment-ready**

Indigenously grown businesses in particular often require training and advisory services to build a sustainable business model, meet international standards, and comply with investors' accounting and reporting expectations. With this in mind, DFID's Business Innovation Facility provides technical support to businesses. TechnoServe is an example of a CSO that offers business and technical consulting. More support of this type is required in order to meet impact investors' demand for investment-ready projects.

❖§ **Guarantee funds can leverage private funding for inclusive business**

Loan, portfolio and bond guarantees are standard instruments in mainstream business. Governments, development partners and DFIs may set up similar vehicles for inclusive businesses. Providing guarantees for inclusive businesses can help public and private sector actors share the inevitable risk.

§ **International asset managers and investment banks can launch inclusive business investment funds**

To date, impact investment has been primarily provided by DFIs, foundations and specialized investment funds. Bringing impact investment practices into mainstream investment banks and asset management companies would help to attract more funding for inclusive business. Social investors with less focus on financial returns could then concentrate on the initial stages of business development, helping to bring new businesses to a scale, level of professionalism, and profit potential able to meet commercially oriented investors' expectations.



🕒 More support is needed to measure social impact

Impact investors require solid data on the social impact achieved by their portfolio investments. However, many inclusive businesses do not have the capacities to set up adequate measurement and reporting systems. Universities, business schools and other local service providers could provide training and education on impact measurement approaches, and help businesses set up the systems required.

\$ Online platforms could channel individual investments directly to inclusive businesses

Crowdsourcing platforms already present huge variety of projects with the opportunity to collect money from individual supporters. MyC4 is an online funding platform that has channelled \$22 million in loans to 11,000 small businesses in several countries in Africa over the past three years, helping to sustain 52,000 jobs.⁹³ Many individuals who seek to invest in Africa also have social objectives in mind, and setting up a dedicated platform for this target group could help to raise money for home-grown inclusive businesses.

Box 23: Interview with Dr. James Mwangi, CEO of Equity Bank, Kenya

Equity Bank is an MFI in Kenya. With more than 8 million customers, mainly from very low-income segments, it has the largest customer base of any bank in the country.

What is your assessment of the current situation regarding the availability of finance for inclusive business in Africa?

From my perspective, the situation has in fact improved vastly over the past decade. There are many excellent investment opportunities that hold promise and are sustainable, and as a result of that we have seen huge growth. The focus should really be on generating commercially viable opportunities.

Challenge funds and impact investors seem to have changed the game in the field of inclusive business over the past five years. What is your take on that?

Challenge funds and impact investors have brought in a whole new dimension in the field of investment in Africa. They are complementing banks in a very innovative way and are playing a significant role, especially when it comes to supporting essential steps such as piloting and testing new models. They are helping to prove that inclusive businesses can work and are viable.

⁹³ www.myc4.com



What can be done to close the “missing middle” and make financing more accessible to SMEs?

I agree that SMEs find it difficult to get financing. They are too big for the micro-sector and too small for the corporate sector. But we cannot separate this issue from the formal vs. informal dichotomy: the formal sector evolves in a value-chain ecosystem in a way the informal sector does not. Typically, the informal sector is far more disconnected, or at least it cannot leverage its connections in the same manner that the formal sector can. It might be time for us to design more flexible financing solutions, and start by building bridges towards the “semi-formal” sector – that is, businesses that are on the cusp of formalization but just need that extra “push”.

What kind of intermediaries are required to match funding with entrepreneurs?

We certainly need more capacity-building entities, such as CSOs and public organizations with demonstrated abilities to assist businesses in building inclusive models. One of the challenges that we have identified for SMEs is the lack of knowhow and expertise in building sustainable businesses. Some would like to diversify to other sectors but are not clear on the impact of this diversification. Some have weak governance structures, as they have started as owner-managed businesses. Some would like to expand the horizon regionally. It is important that they are offered advisory services that will help them to evolve quickly to the next level.



5 Implementation support

Even if market information has been secured, commercial incentives are in place, and enabling investments have been made, implementing an inclusive business successfully depends strongly on a range of intermediary and support services. Mondelēz (formerly Kraft), for example, is one of the world's largest cocoa buyers. But when it set out to improve cocoa communities, it relied on technical support from specialized partners to realize a vision that would likely have been impossible alone. In this and other cases, implementation support covers a range of services that help realize inclusive strategies, and allow enterprises to interact successfully with their target groups in low-income communities.

- **Logistical support** is necessary to reach the low-income population with products and services, or to collect products from them.
- **Transactional support** facilitates financial transactions – paying or getting paid – as well as the documentation and administration systems underlying that process.
- **Marketing and communication support** helps to raise awareness among low-income consumers, apprise potential customers of the benefits of a product or service, and build the skills required for use.
- **Micro-enterprise support** helps micro-business owners bring their operations up to the standards required to participate in larger value chains. This entails the identification, recruitment and formalization of micro-enterprises, as well as capacity-building to ensure that products or services meet required standards.

Case study 5: Mondelēz grows the next generation of cocoa farmers

Cocoa is mainly produced by smallholder farmers in developing countries. Ghana is the world's second-largest cocoa exporter, accounting for 23% of global production in 2010. However, Ghana's cocoa production has been on the decline. Today, there are approximately 700,000 cocoa farmers among a population of 25 million. The average age of a cocoa farmer is about 56 years. And since cocoa farming is difficult, risky and often produces little profit, most cocoa farmers are telling their kids to pick a different job.

For Mondelēz as a major chocolate producer, the decline in cocoa production and quality represents a major supply-side risk. Yet cultivation of the next generation of cocoa farmers requires more than



simply enabling higher yields and better prices. Rather, the company saw its goal to be the creation of thriving and sustainable cocoa-growing communities. But in pursuing this aim, the company needed partners. In 2008, with support from UNDP, Mondelez launched a 10-year, \$70-million-plus initiative called the Cocoa Partnership designed to support cocoa communities in core cocoa-growing regions of the world, starting with Ghana.

Mondelez teamed up with three experienced CSOs – CARE, World Vision and VSO – to work with an initial 100 communities. Under the program, the CSOs collaborate with farmer organizations to develop community action plans, which outline community priorities in terms of cocoa production, infrastructure development and environmental sustainability. CSO partners also help growers form farmer organizations. Once established, the farmer organizations are encouraged to associate to strengthen their negotiating power.

Mondelez has also partnered with the Ghana Cocoa Board (COCOBOD). COCOBOD has trained and now supervises 17 community extension officers. These individuals in turn train cocoa farmers in good farming practices and help with fair trade certification. In each area they also work with two to three local cocoa facilitators, generally young people from the community who can take over once the extension officer leaves.

Over the first three years of the programme, the 100 communities in the programme increased their yields by 20%, and were the recipients of \$5.5 million in fair trade premiums. Nearly 200 development projects have been initiated by communities, from solar panels to wells. By 2015, the partnership aims to expand to 500 communities.

5.1 Challenges

Inclusive businesses are defined by the fact of their operations in low-income communities. In these contexts, the lack of enabling market conditions makes business more complex than in more traditional settings. Interactions with target groups are complicated by the lack of physical infrastructure, knowledge and skills, and financial services.

Physical infrastructure

The lack of roads, railways, reliable energy sources, secure storage and warehousing facilities, and other physical market infrastructure increases the cost of doing business with low-income communities. More than 70% of sub-Saharan Africa's rural



population, for instance, lives more than two kilometres away from an all-season road.⁹⁴

Skills and knowledge

In most cases, inclusive businesses have to deal with a lack of capacities on the part of their low-income business partners. Producers often lack the skills to implement certain production standards, entrepreneurs lack accounting processes, and consumers are often unable to read product information. Only 19% of students in Africa complete secondary education, and only 5% complete tertiary education (see Figure 16).⁹⁵ About 38% of sub-Saharan Africa's adult population lacks the basic literacy and numeracy skills needed in everyday life. Women account for more than 60% of the illiterate population.⁹⁶ Businesses cannot rely on a national system of vocational training, and must thus build the skills they require themselves.

Figure 16: Africa's educational pyramid, 2009

Source: World Bank. 2010. Financing Higher Education in Africa. © 2010 The World Bank

Financial infrastructure

The majority of people in sub-Saharan Africa do not participate in the formal financial market (see Figure 14). Only 24% of adults in the region hold a bank account.⁹⁷ As a result, financial transactions are usually made in cash. But handling cash can create security issues for entrepreneurs in low-income communities. It also complicates accounting procedures. This situation is changing with the spread of mobile money services such as Safaricom M-Pesa and Lonestar. Indeed, 16% of adults in Africa report having used a mobile phone in 2011 to pay bills or send or receive money.⁹⁸

Figure 17: Status of financial inclusion in selected African nations

Source: UNDP. 2012. Inclusive Business Finance Field Guide 2012: A Handbook on Mobilizing Finance and Investment for MSMEs in Africa. United Nations Development Program: 7

⁹⁴ Vivien Foster and Cecilia Briceno-Garmendia (2010) Africa's Infrastructure: A Time for Transformation. Washington, DC: World Bank, 25. <https://openknowledge.worldbank.org/handle/10986/269>

⁹⁵ OECD (2011). Education at a Glance.

⁹⁶ UNESCO (2010). Education for All

⁹⁷ Asli Demirguc-Kunt and Leora F. Klapper (2012). "Measuring Financial Inclusion: The Global Findex Database". Policy Research Working Paper 6025. Washington, DC: World Bank.

⁹⁸ *ibid.*, 2.



5.2 Achievements

CSOs and development agencies provide much of the implementation support received by companies operating in African markets. Government agencies sometimes help with extension services for smallholders. In general, however, the support available to companies for implementation on the local level remains limited, especially when in the area of logistics and transactions. As a result, enterprises must create their support ecosystem themselves, for example by spinning off local CSOs or by building the capacities of local micro-entrepreneurs. The recent spread of mobile-phone technologies have made this process somewhat easier, by reducing transaction costs and making inclusive business processes more efficient.

❖ **Micro-enterprise support, marketing and communication services are provided primarily by CSOs or development agencies**

These actors are often deeply immersed in local communities, and can thus build on accumulated trust and established networks, while having a good understanding of local residents' perspectives. Thus, CSOs and development agencies are often the most desirable partners in terms of communicating a new service to low-income customers or building capacities among producers and micro-entrepreneurs. In the introductory example of Mondelēz's collaboration with Ghanaian cocoa producers, CSOs took over the tasks of establishing farmer associations and creating community development plans.

Sometimes, micro-enterprise support actually helps to incubate an inclusive business by supporting local entrepreneurs. EnterpriseWorks, for instance, trained the founders of Toyola Energy in the production of energy efficient stoves, a process that gave the skills to set up their company. To date, Toyola has sold more than 100,000 cook stoves, offset over 140,000 tons of CO₂ emissions, and today employs more than 300 people from low-income communities.

Box 24: The Business Innovation Facility brings technical expertise to inclusive businesses

DFID's Business Innovation Facility was created in 2010 to provide technical support to inclusive businesses working at the grassroots level. Local hubs have been set up in five countries, three of which – Malawi, Nigeria and Zambia – are in Africa. Together, these three hubs have provided intensive support to 58 businesses, including both large and small companies. Hub managers can draw on a global network to find technical experts able to assess routes to market, develop supply



chains, “stress test” a business model or tackle a host of other bottlenecks faced by companies. Lessons from this process are shared on the Practitioner Hub, a leading online community focused on inclusive business.

Source: businessinnovationfacility.org

\$ Inclusive businesses can spin off or incubate CSOs that provide small business support

In 2007, L'Occitane en Provence set up a CSO called Association Nord et Sud to provide capacity-building support and training in shea butter production, general business management, bookkeeping and fair trade standards to thousands of rural women in Burkina Faso who convert shea nuts into butter. Similarly, Mauritania's Tiviski created a CSO called the Association of Milk Producers of Tiviski to help herders manage their livestock and access veterinary services.

§ Government agencies sometimes play a role in establishing agricultural value chains

In Mondelēz's case, the Ghana Cocoa Board helped build technical expertise necessary for the company's operations, training and supervising 17 extension workers who were then tasked with building cocoa-farmer capacities. The Ethiopian Agriculture Transformation Agency supports the development of domestic chickpea production, which in turn supports the sustainability of the PepsiCo Foundation's chickpea initiative.

\$ Low-income people themselves play an important role in providing logistics and transaction services

Many inclusive businesses employ micro-entrepreneurs from their local communities as franchisees or service providers. Though they often have to make initial investments in building these local residents' capacities, this investment quickly pays off in reduced costs and in closer ties and stronger familiarity with local communities. ToughStuff and Toyola, both of which market clean energy devices in low-income communities, have created a network of micro-entrepreneurs that sell their solar lamps and cook stoves.

\$ Mobile communication and ICT reduce the cost of implementation



Mobile-phone based money applications reduce the cost and risk of financial transfers. Mobile information services can reach low-income customers with service information and offers, provide smallholder producers with information on weather, prices and marketing opportunities, and let micro-entrepreneurs know about promotions. The Kenya Agricultural Commodity Exchange (KACE) initiative connects farmers and mainstream buyers, relaying information on a variety of commodities. e-Soko provides a similar services in 16 African countries.

Box 25: SAP software enables transparency between coop members and agribusinesses

SAP's "virtual co-ops" increase traceability and efficiency in agricultural supply chains that include smallholders. The German software company partnered with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH to deploy the system in the cashew and shea value chains in Ghana and Burkina Faso. The system links smallholder farmers with the processing companies, wholesale trading companies and retailers. 1000 tons of produce were traded via the system up to today, amounting to 12 000 digitally recorded transactions. More than 7000 smallholders benefit from greater transparency and fast payments, and the whole supply chain becomes entirely traceable.

Source: GIZ (2012) African Cashew initiative: cooperation with SAP

5.3 Opportunities

Ground-level support for the implementation of inclusive businesses remains scarce. In general, transaction costs are very high, often too high to allow for profitable business. In many cases, companies have to rely on the services of CSOs and development agencies; these in turn pursue their own objectives and operational standards, which can complicate cooperation. Building more specialized business support can make implementation substantially easier.

🕒 Research institutes should investigate effective governance structures within cross-sectoral partnerships

While partners from outside the private sector often bring essential capacities into a business, these cross-sectoral partnerships can add significant complexity and management cost to a business. The governance mechanisms underlying these cross-sectoral partnerships are not well understood. More research is needed into how these partnerships are governed, what works and what does not.



§❖ Development agencies and governments should mainstream inclusive business into existing business development services

Many development agencies and governments already provide support to MSMEs in setting up their business through business development services (BDS), a classic component of private sector development (PSD) programs. These existing services could be developed further to include specialized support for inclusive business development, which requires a clear focus on social and environmental results.

❖ CSOs and development agencies can help to build local service providers

Instead of providing implementation services themselves, these actors could focus on training local entities to provide these services on an independent and commercial basis. Such service companies could also be spun off from CSOs that are currently offering these services, but which find it difficult to adapt their processes to required corporate standards.

§ Governments can facilitate implementation by improving the general business environment

Better roads and logistics systems would help reduce transportation costs and make it easier to reach into low-income communities, especially in rural areas. Better general and vocational education would reduce the burden on companies to engage in capacity-building and awareness-raising.

§ Considerable specialized mobile-based ICT support opportunities remain to be exploited

This includes small business warehouse-management and accounting systems able to integrate with larger corporate ICT systems. Having a larger stock of ICT solutions at their disposal could help small businesses manage their stock, keep track of goods and money flows, plan more efficiently, and exchange information with others.

Box 26: Interview with Gerry Van Den Houten, director of enterprise development, SABMiller Africa



SABMiller is the world's second-largest brewer. The company supports 100,000 direct farming jobs across Africa, including tens of thousands of smallholders in countries such as Zimbabwe, Uganda, Mozambique and Tanzania

How do you organize transactions and logistics with your smallholder suppliers?

By nature, it is not easy for a formal enterprise like SABMiller to have suppliers coming from the informal economy. You simply cannot do this remotely; you need a permanent presence on the ground. So after some fine-tuning, we have come up with a “hub-and-spoke” model. The details change from one place to another, but the principle remains: the centre of the hub is a commercial farmer, who typically works with about one hundred smaller farmers. The commercial farming operation acts as an intermediary between us and the small scale producers. In some places there simply are no commercial farms, so we identify a “lead farmer”, often with the help of a specialized agricultural service provider.

Do you provide training and assistance to smallholders?

The commercial farmer is motivated by our business, so he or she would provide training and assistance to small holders, to improve yields, test new varieties, etc.

Are you also involved in financing smallholders?

On the transactional level, we work mainly with commercial banks. As SABMiller, we have more clout than smallholder farmers would have individually, so we can obtain better terms for loans and credit for them. We do not get involved beyond that, however, as financing is not our core business.



6 Building inclusive business ecosystems

A considerable amount of support is already available for entrepreneurs and companies in Africa seeking to venture into the low-income market or to create inclusive businesses, as the previous chapters have shown. As the inclusive business approach gains momentum, local support initiatives are emerging that complement the support provided by international actors. The time is right for entrepreneurs and companies to seize the resulting opportunities and create profitable businesses that create access to income, goods and services, and choice.

At the same time, today's inclusive business support landscape is uneven, and much can be improved in terms of helping inclusive businesses to grow and increase their impact. The M-Pesa mobile money service has been the poster child for inclusive business in Africa, yet as Case Study 6 relates, its success has not yet been replicated in South Africa. Differences in the respective inclusive business ecosystems seem to have spurred success in Kenya and stymied growth in South Africa.

Ecosystem-building initiatives can provide the connective tissue needed to coordinate the multiplicity of actors making up an inclusive business ecosystem. Each type of actor, drawing on their unique capabilities, can contribute making ecosystems more conducive to successful commercial activity. Recommendations for concrete actions are provided in the second part of this chapter.

Case Study 6: M-Pesa in Kenya and South Africa

M-Pesa is an electronic mobile-phone-based money transfer system. Safaricom, a major Kenyan mobile network operator, developed and launched the M-Pesa technology in 2007, with funding from Vodafone Group Plc. and the U.K. Department for International Development (DFID). The service quickly captured a significant share of the country's financial services market, reaching 15 million subscribers in 2011. Versions of M-Pesa were then successfully initiated in Tanzania and in Afghanistan.

However, M-Pesa did not meet with the same success in South Africa. In 2010, Vodafone introduced the system to the country in partnership with Nedbank, a well-established financial institution. In part, the difference between the two countries can be attributed to the differing regulatory environments. South Africa's regulations regarding customer registration and distributor approval are much more



stringent than those in Kenya. As a result, M-Pesa is mainly available at a few hundred formal Vodacom outlets and Nedbank bank branches or cash distributors, whereas in Kenya the services are almost universally available through a network of tens of thousands of informal traders. This makes M-Pesa physically difficult to access for most low-income communities, especially in rural areas.

Moreover, given South Africa's high crime rate, informal retailers there are less inclined to act as cash deposit or withdrawal branches, as this makes them targets for criminals. Finally, the South African version of M-Pesa received no external funding or support, as the Kenyan version did. This meant there was less room for experimentation and adjustment to local needs and circumstances.

By the end of 2012, M-Pesa had only 1.2 million subscribers in South Africa, out of an estimated 12 million people who currently lack access to formal banking services.

6.1 Ecosystem-building initiatives provide connective tissue

Coordination is identified by many experts as the central challenge in nurturing inclusive business ecosystems. All four support functions have to be in place to create conditions conducive to inclusive business. If these functions are to be developed in parallel, actors need to coordinate in some way. However, coordination itself is costly. Some actors thus need to play the role of the "connective tissue" to make sure all the pieces of the puzzle come together. Development partners have recognized this need as they seek to encourage inclusive markets and have started to invest in the development of these coordinating functions.

Figure 18: Inclusive business ecosystems need connective tissue

A number of inclusive business ecosystem-building initiatives have been developed in recent years, some showing significant success. These initiatives are based on many years of research and experience with building ecosystems that include low-income people, above all the "Making Markets Work for the Poor" approach and value chain approaches.⁹⁹ Table 11 presents three such initiatives from different sectors and in different countries:

⁹⁹ On the Making Markets Work for the Poor (M4P) approach see, for example, a series of publications by DFID and SDC. An introduction is provided by DFID, SDC. 2008. A Synthesis of the Making Markets work for the Poor (M4P) Approach.



- The **Kenya Financial Sector Deepening Initiative (FSD)** aims to increase access to financial services, especially for low-income people. By collaborating with various government institutions, banks, MFIs, informal providers of financial services, and education and research institutions, it helped to increase rates of formal and semiformal inclusion in the financial market from 26% in 2006 to 40% in 2009.
- **Lighting Africa** in Ghana and Kenya improves market conditions for lighting products by providing a quality seal for lighting products, a database of product and service providers, technical support to member companies, research, and policy dialogue. As a result, more than 2,500 company members are registered on the website, 5 million Africans had been provided with lighting products by April 2012, and 19 million people have been reached through consumer education campaigns.
- The **Competitive Africa Cotton Industry initiative (COMPACI)**, working in six African countries, links smallholder cotton farmers and cooperatives with agribusiness and textile firms, development partners, CSOs, and governments to build sustainable cotton value chains. The initiative supports 2.4 million sub-Saharan Africans, some of whom have seen a 45% rise in net income due solely to cotton production.

All three initiatives have had significant success in creating ecosystems conducive to inclusive business, and as a result have enabled many low-income people to be integrated into larger value chains as producers, consumers, employees and entrepreneurs. The table summarizes each initiative's activities according to the logic of the Inclusive Business Ecosystem Diamond. Though the initiatives differ fundamentally, some common patterns can be observed.

All three initiatives are **strictly evidence based**. On-the-ground research examining the market situation and existing structural gaps inform the overall design of the initiatives as well as individual activities. The information is made available to the public, either through online databases or codified as quality standards. Lighting Africa, for example, has 3,000 members in its supplier database. FSD publishes its



FinAccess surveys. COMPACI has established a standard for sustainable cotton production based on research into best practices.

Based on this evidence, the initiatives **support policy-making through information and stakeholder facilitation**. Here, initiatives collaborate closely with policy makers on different levels. FSD works with ministries and regulators in Kenya. COMPACI works under the framework of the Comprehensive Africa Agriculture Development Programme (CAADP) to influence strategies for the cotton sector. And Lighting Africa has convinced the executive board of the U.N. CDM to bring their methodology for crediting emissions reductions from clean off-grid lighting into close alignment with its quality assurance framework.

Funding is mostly used to pay for research and project development. This category can also include the development of innovative financing models. Lighting Africa has set up a trade finance facility and a funding facility for importers and distributors. COMPACI provides small loans to smallholders to enable them to switch to sustainable practices. The initiatives do not disburse loans or grants to businesses which would compete with the commercial market for credit. Rather, they facilitate access to credit, in part by enhancing the credibility of business through industry standards, as in the case of Lighting Africa.

Among the ecosystem initiatives' main contributions is their ability to **set up new intermediaries or build implementation support capacities within existing organizations**. FSD supported an insurance company in developing a livestock insurance product, and has helped micro-finance institutions attain bank status. It has also built the capacities of intermediaries such as MicroSave, which provides training on micro-savings products. Lighting Africa has set up an information platform and a quality assurance process. It provides training to MFIs on how to provide micro-finance products to finance the purchase of lighting. To ensure compliance with its label, COMPACI asks its cotton producer partners to provide farmers with the training and resources they need to farm sustainably.

All three initiatives have achieved impressive success through this comprehensive approach. In only a few years, they have impacted the lives of millions of low-income households, surpassing goals well ahead of schedule. They are thus living proof that



creating supportive ecosystems can enable inclusive business on a large scale – making economic growth inclusive by opening up opportunities for income, jobs and consumption to large numbers of people.

It is thus evident that ecosystem-building initiatives present a promising model for providing the connective tissue holding inclusive business ecosystems together.

Table 10: Comparison of three Ecosystem-building Initiatives

<NOTE: The 3 following tables will be presented as one table across a double page in layout.>

Initiative name	Kenya Financial Sector Deepening Initiative
Sector	Financial services
Country	Kenya
Launch year	2005
Description	Independent trust, with the aim of supporting the development of Kenyan financial markets and increasing financial inclusion. It pursues this mission in partnership with a network of 60 entities from multiple sectors.
Supported by	Government of Kenya Development partners (AFD, DFID, Sida, the World Bank, and the Bill and Melinda Gates Foundation)
Incentives	<ul style="list-style-type: none"> • Advised the Kenyan government on how to enhance the country's regulatory environment; provides information and facilitates multi-stakeholder consultations. • Supported the Central Bank of Kenya in measures to open up banking channels to non-bank agents by commissioning an in-depth analysis of policy options. This presented during a stakeholder workshop. • Supported the establishment of the SACCO Societies Regulatory Authority (SASRA), formalizing the semiformal savings and credit cooperatives (SACCOs), • Provided advice on a regulation enabling the establishment and oversight of credit reference bureaus.
Information	<ul style="list-style-type: none"> • Conducts FinAccess surveys. The demand-side survey documents the state of and trends in financial inclusion. Supply-side surveys provide annual updates on the geographical coverage and market size of financial service subsectors.
Investment	<ul style="list-style-type: none"> • Provides funding for projects, research. • Partners with banks to develop supply chain finance products for SMEs.
Implementation support	<ul style="list-style-type: none"> • Provides technical assistance for product development, such as a livestock insurance product. • Helps institutions attain bank status. • Builds capacities of intermediaries such as MicroSave, which provides training and support for the micro-finance sector; also works with retail providers who deliver services, such as commercial banks and community-based organizations. • Helps to increase financial literacy through the Financial Education and Consumer Protection Partnership (FEPP).
Results	<ul style="list-style-type: none"> • Formal and semiformal financial-market inclusion rate increased from 26% in 2006

to 40% in 2009.

- The population share completely excluded from the financial sector is lower in Kenya than any other country in Africa except South Africa.

Initiative name	Lighting Africa
Sector	Energy
Country	Kenya and Ghana, currently expanding to Tanzania, Ethiopia, Senegal, and Mali.
Launch year	2005
Description	The initiative is mobilizing the private sector to create sustainable markets for safe, affordable and modern off-grid lighting systems in Africa.
Supported by	IFC and World Bank
Incentives	<ul style="list-style-type: none"> • Identified policy and regulatory barriers to off-grid lighting solutions in eight countries, and offered compensatory policy recommendations. Study results were discussed with key figures from government and other sectors. Two countries have updated their policies on modern off-grid lighting as a result of these discussions. • Works directly with African governments in four countries to integrate off-grid lighting into rural energy and electrification programmes. • Convinced the U.N. CDM executive board to bring their methodology for crediting emissions reductions related to clean off-grid lighting into close alignment with LA's quality assurance framework.
Information	<ul style="list-style-type: none"> • Conducts market research, analyzes distribution networks and assesses market trends to help the industry make informed decisions. • Provides an online platform to advertise services and identify business opportunities.
Investment	<ul style="list-style-type: none"> • Created a trade finance facility to increase manufacturing capacity. • Created a funding facility to allow importers and distributors to have a steady, sustainable supply of products able to meet increasing demand.
Implementation on support	<ul style="list-style-type: none"> • Developed a producer quality seal representing independent verification of a product's quality and performance. Working with the University of Nairobi laboratory, conducts training in product testing, quality assessment and interpretation of test results. Established a low-cost testing centre to carry out initial screenings in Dakar, Senegal. • Provides support to member companies for a fee. Members receive advice on product design, access to periodic product field-testing, technical capacity-building, opportunities for B2B links and matchmaking services with local distributors. • Provides training for micro-finance institutions (MFIs) on opportunities for consumer lending. LA's product-quality benchmarks increase MFIs' security in providing loans. • Conducts consumer education campaigns in Kenya and Ghana. A total of 1,000 village forums have taken place to date.
Results	<ul style="list-style-type: none"> • Over 2,500 company members are registered on the website. • By April 2012, 2.5 million Africans had been provided with lighting products.



- 19 million people have been reached through consumer education campaigns.
- 7 MFIs are providing micro-loans for consumers to purchase off-grid lighting products that have passed LA's quality tests. In Kenya, \$411,000 in financing and loans has been provided to consumers purchasing solar lanterns.

Initiative name	The Competitive Africa Cotton Initiative (COMPACI)/ Cotton made in Africa (CmiA)
Sector	Agriculture
Country	Six sub-Saharan states,
Launch year	2008
Description	The initiative helps smallholder African cotton farmers implement sustainable practices that improve their economic situation. Purchasers of Cotton made in Africa products pay a licensing fee to use the label.
Supported by	Aid by Trade Foundation, BMZ, Bill and Melinda Gates Foundation
Incentives	<ul style="list-style-type: none"> • Works within the framework of the Comprehensive Africa Agriculture Development Programme (CAADP), advising African governments on poverty alleviation through agricultural development in the cotton sector.
Information	<ul style="list-style-type: none"> • Arranges for independent project monitoring and evaluation by an independent research institute, using focus group interviews and quantitative surveys along the supply chain.
Investment	<ul style="list-style-type: none"> • Provides small loans to small farmers to finance start-up production. • Invests in strengthening the regional verification institutions.
Implementation support	<ul style="list-style-type: none"> • Manages and markets the distinctive red Cotton made in Africa label. • Cotton companies commit to providing the farmers with the training and resources needed to carry out sustainable cotton farming practices. • Third-party organizations (currently EcoCert and AfriCert) audit farmers and cotton companies to hold all entities accountable to CmiA requirements. • Ensures that retail partners have access to the cotton they need, whenever they need it, by providing easy access to a network of spinning mills and textile manufacturers.
Results	<ul style="list-style-type: none"> • COMPACI reports an exponential increase in member farmers and cottonseed production, with prices at an all time high. • Supports 2.4 million sub-Saharan Africans, some of whom have seen a 45% rise in net income solely due to cotton production. • While the private sector originally provided one-third of the initiative's financing, this is projected to increase to 50% by 2015.

Source: Programme websites

Box 27: Interview with Gerhard Coetzee, Head of Inclusive Banking Strategic Initiatives at Absa Consumer Banking and Director of the Centre for Inclusive Banking in Africa at the University of Pretoria



Absa Group Limited (Absa) is one of South Africa's largest financial services groups. Absa is a subsidiary of Barclays Bank, which owns 55.5% of the group. It offers a complete range of banking services. Its Inclusive Banking Segment offers targeted services for low-income customers.

What gaps do you perceive in the supporting environment?

We need support at different levels.

At the regulatory and policy level, much more understanding of inclusive models is required. There is a need to create a far more enabling situation. For example, if you want to outsource business to small businesses, getting them registered takes around 150 steps – it's far too complicated.

At the industry level, the right training and educational support is a must. Most large companies overcome this by innovating and investing. But I am worried about the medium-sized and small businesses that want to run inclusive businesses, but don't have the capacity to do this.

At the firm level, it is extremely important to create materials that can convince for-profit institutions of the opportunity of inclusive business. Case studies play a massive role. Moreover, “sweeteners” are important. Even for a large corporation like Absa, getting a small grant can be a trigger, because it helps me to convince my leadership to invest in inclusive business. I can start without competing with far more profitable models within Absa. Like that, I can create an example. Once this is working, I have a case and then can start competing.

At the client level, client information and education are critical.

What are best practices in building supportive ecosystems?

It is critical that companies seek out support, and not the other way round. Equity Bank, for example, always used grants in a smart way to create new business lines. When it started to build its mobile banking scheme, it proposed the project to the Bill and Melinda Gates Foundation, which they knew was interested in the subject. So instead of getting distracted by following the support that is out there, companies have to know exactly what they need, and then manage the support system.

What opportunities do you see for building support?

Companies need to be much more open to sharing information, in order to learn from each other. Intermediaries can facilitate this culture of openness. There is an overemphasis on competition today, and an underemphasis on cooperation. In order to create inclusive businesses and ecosystems, companies need to cooperate far more, and leave the competition for later. Intermediaries can help to create an atmosphere of cooperation, by sharing case studies or by hosting forums to exchange experiences.



6.2 Everyone can contribute

Creating inclusive businesses ecosystems is a complex task, but it pays off in the form of sustained job creation, growth and improved living conditions within low-income communities. Four support functions have emerged as critical in enabling the success of inclusive businesses: information, incentives, investment and implementation support. Table 12 summarizes opportunities to build inclusive ecosystems identified in the previous chapters, grouped by actor. Building inclusive business ecosystems in Africa will require entrepreneurship and innovative solutions on the part of all societal actors, not just enterprises.

Table 11: Opportunities to contribute to ecosystem creation by actor and function

Actor	Information	Incentives
Companies	<ul style="list-style-type: none"> - Provide specialized market research services for the low-income market. - Develop and implement mobile applications that gather data. - Promote the idea of inclusive business. 	<ul style="list-style-type: none"> - Set corporate incentives to provide direction and enable the collaboration with the informal market (e.g., procurement policies). - Provide technology licenses to enable local development of inclusive businesses.
Governments	<ul style="list-style-type: none"> - Make market data (e.g., from household survey) accessible to private sector. - Encourage public research institutes (e.g., in agriculture) to collaborate with the private sector. - Create award schemes to promote inclusive business. 	<ul style="list-style-type: none"> - Create an enabling environment with policies conducive to inclusive business practices. Use “smart subsidies” to enable new markets. - Act as an anchor buyer for businesses (“inclusive procurement”) and build supplier capacities. Encourage the creation of inclusive business through outsourcing of services (e.g., waste collection). - Embrace innovative inclusive business approaches by the private sector.



Develop ment partners	<ul style="list-style-type: none"> - Fund market research, inclusive business models and ecosystem development. - Support the development of local research and advisory services 	<ul style="list-style-type: none"> - Act as an anchor buyer to business (“inclusive procurement”) and build capacities of suppliers - Fund and facilitate platforms for collective action, as by developing standards or investing in market infrastructure. - Support inclusive business through technical advice and policy dialogue. - Support the development of local monitoring and certification bodies.
CSOs	<ul style="list-style-type: none"> - Build capacities of local entrepreneurs to start inclusive businesses. 	<ul style="list-style-type: none"> - Support the development and implementation of standards and certification systems.
Research institutions	<ul style="list-style-type: none"> - Create localized know-how on how inclusive business works and the actors that support it. - Teach inclusive business and entrepreneurship practices; offer executive education. - Collaborate with inclusive businesses (e.g., in assessing performance). 	<ul style="list-style-type: none"> - Develop better measures of inclusiveness to enable the targeting of incentives.
Intermediaries	<ul style="list-style-type: none"> - Promote inclusive business among members. - Platforms allow multiple companies to share the cost of research. 	<ul style="list-style-type: none"> - Organize lobby groups to advocate for policies enabling inclusive business. - Multi-stakeholder platforms can facilitate the standardization of labels.

Actor	Investment	Implementation Support
Companies	<ul style="list-style-type: none"> - Launch inclusive business investment funds. 	<ul style="list-style-type: none"> - Spin off micro and small enterprises that provide support services. - Develop ICT systems that facilitate business in low-income communities.
Governments	<ul style="list-style-type: none"> - Create guarantee funds mitigating investor risk, thus channelling more capital to inclusive business. 	<ul style="list-style-type: none"> - Create frameworks that enable public agencies, such as extension services, to collaborate with the private sector.
Development partners	<ul style="list-style-type: none"> - Build local intermediaries, such as incubators or venture capital funds. 	<ul style="list-style-type: none"> - Link challenge funds and similar financial programmes with ground-level technical support. - Support entrepreneurs in setting up support services such as local marketing or logistics companies.
Civil society organizations	<ul style="list-style-type: none"> - Build micro and small businesses’ capacities to receive investment. 	<ul style="list-style-type: none"> - Support entrepreneurs in setting up support services such as local marketing or logistics companies.
Research institution	<ul style="list-style-type: none"> - Support inclusive businesses in measuring social impact. 	<ul style="list-style-type: none"> - Create insight into effective governance mechanisms for cross-sectoral partnerships.



s		
Intermediaries	- Act as matchmakers between patient capital and inclusive business.	- Improve transparency of existing services.

Source: Authors

The companies and entrepreneurs driving inclusive businesses also need to be engaged in shaping and driving the development of supportive ecosystems. They can encourage this process by:

- Being transparent about their own challenges. After all, the support environment should respond to what entrepreneurs and companies actually need. Openness in talking about difficulties and failures, enablers and successes helps to establish a culture of learning, and provides essential information to support institutions.
- Managing support rather than being influenced by it. While this is a particular danger for start-ups and social enterprises, even larger companies can be influenced in their decisions by support institutions' priorities and programmes. However, businesses will be sustainable only if they make economic sense and create real value. Companies and entrepreneurs are thus well advised to be proactive about the specific support they need.
- Engaging in dialogue with governments and other support institutions in order to co-create effective solutions. The owners of inclusive businesses are the only ones who can know whether a supportive policy or programme will actually help, or whether it may create undesirable distortions in the market. By engaging in the creation of solutions, this deep knowledge is fed directly into the process of creating inclusive business ecosystems.

In effect, companies and entrepreneurs need to become ecosystem entrepreneurs, not only creating innovative business models, but orchestrating and shaping the ecosystem around them.

6.3 A call to action

In order to further advance the inclusive business approach and realize Africa's wealth, actors of all kinds must engage in deeper cooperation and coordination. The



success of inclusive business ecosystem-building initiatives shows that coordination can pay off quickly. Providing funds and sharing information are critical in creating this “connective tissue”. The lessons thus learned prompt several additional recommendations:

- New **inclusive business ecosystem-building initiatives** should be developed at the national and regional levels, aimed at creating inclusive markets and enabling inclusive businesses. These initiatives should coordinate the multiplicity of players involved in creating a new market, and provide direct support to entrepreneurs and enterprises that drive inclusive businesses.
- **Finance vehicles** able to support ecosystem-building initiatives are needed on a regional and national level. These vehicles should not fund inclusive businesses directly, but rather provide the resources to coordinate, inform and fund the creation of ecosystems conducive to inclusive business on a broad scale. This could include incubators for inclusive business, research initiatives, investment funds and business development services, among other entities.
- **Centres of excellence** for inclusive business and markets can build and share knowledge on the inclusive business approach on the national and regional levels to . In particular, centres of excellence could undertake additional research on existing ecosystem-building initiatives, document successful approaches, and act as seedbeds and coordinators for new initiatives.

The post-MDG framework will ask the private sector to contribute to development goals, often by engaging in core business approaches. Yet without ecosystems conducive to inclusivity, companies will struggle to live up to this expectation. All societal actors thus have a role in creating appropriate conditions for inclusive business, and thus realizing Africa's greatest source of wealth: its young and growing population.



ANNEXES

Endnotes

Note: References will be provided as Endnotes.

Acronyms

Full	Acronym
French Development Agency	AFD
Absa Group Limited	Absa
Africa Agriculture and Trade Investment Fund	AATIF
Africa Enterprise Challenge Fund	AECF
African Cashew Alliance	ACA
African Economic Community	AEC
African Union	AU
anti-retrovirals	ARV
Australian Government Aid Programme	AusAid
Black Economic Empowerment	BEE
bottom of the pyramid	BOP
Business to Business	B2B
Child and Family Wellness	CFW
Civil society organization	CSO
Clean Development Mechanism	CDM
Common Market for Eastern and Southern Africa	COMESA
community-based organizations	CBO
Comprehensive Africa Agriculture Development Programme)	CAADP
Comprehensive African Cotton Initiative (COMPACI)	COMPACI
Cooperative for Assistance and Relief Everywhere	CARE
corporate social responsibility	CSR
CSO Centre d'Etude et de Coopération Internationale	CECI
Danish International Development Agency	Danida
Deutsche Gesellschaft für International Zusammenarbeit	GIZ
development finance institution	DFI
Dutch Agricultural Development and Trading Company	DADTCO
Dutch Development Agency	SNV
East African Community	EAC
Economic Community of West African States	ECOWAS
Financial Education and Consumer Protection Partnership	FEPP
GADCO Global Agri-Development Company	GADCO
German Federal Ministry for Economic Cooperation and Development	BMZ
German Investment and Development Corporation (Deutsche Investitions- und Entwicklungsgesellschaft)	DEG
Ghana Cocoa Board	COCOBOD

Growing Inclusive Markets	GIM
information and communications technology	ICT
Integrated Tamale Fruit Company	ITFC
Interchurch organization for development cooperation	ICCO (Dutch CSO)
International Finance Corporation	IFC
International Fund for Agricultural Development	IFAD
International Labour Organisation	ILO
Kenya Agricultural Commodity Exchange Ltd.	KACE
Kenya Financial Sector Deepening Initiative	FSD
Malian Agency for the Development of Household Energy and Rural Electrification	AMADER
micro, small and medium -sized enterprises	MSME
micro-finance institutions	MFI
Millennium Development Goals	MDG
Norwegian Ministry of Foreign Affairs	NMFA
official development assistance	ODA
Organization for the Harmonization of Business Law in Africa	OHADA
private sector engagement	PSE
regional economic communities	REC
Rural Energy Services Companies	RESCO
SACCO Societies Regulatory Authority	SASRA
Savings and Credit Cooperative Organisation	SACCO
Senegalese company Du Vent, de L'Eau pour la Vie	VEV
small and medium enterprises	SME
Southern African Development Community	SADC
Southern Agricultural Growth Corridor of Tanzania	SAGCOT
Spanish Agency for International Development Cooperation	AECID
Swedish International Development Cooperation Agency	Sida
U.K. Department for International Development	DFID
World Food Programme	WFP
World Resources Institute	WRI
World Wide Fund for Nature	WWF
Youth Employment Network	YEN
United Nations Development Programme	UNDP
African Facility for Inclusive Markets	AFIM
Gross Domestic Product	GDP
HIV/AIDS	Human Immunodeficiency Virus/Acquired immune deficiency syndrome
Inclusive Market Development	IMD
International Development Enterprises	IDE (International CSO)
Electricité de France	EDF
Water and Sanitation for the Urban Poor	WSUP
United States Agency for International Development	USAID
Information Technology	IT



Consultative Group on International Agricultural Research	CGIAR
International Institute of Tropical Agriculture	IITA
Ethiopian Institute for Agricultural Research	EIAR
Gesellschaft für Konsumforschung (Society for Consumer Research): Germany's largest market research institute	GFK
Business in Development Network	BID Network
Voluntary Service Overseas (international development charity)	VSO

Case studies

Please note: the case studies listed here are summaries of full-length case studies, available for download at <http://cases.growinginclusivemarkets.org/>

Name of enterprise	Country	Type of enterprise	Sector	Year of Writing
Adina for Life	Senegal	MSME	Agriculture and forestry	2010
Amanz' abantu	South Africa	MSME	Water and sanitation	2008
Aspen Pharmicare	South Africa	Developing country MNC	Health care	2008
Association of Private Water Operators	Uganda	MSME	Water and sanitation	2008
Barclays	Ghana	Foreign MNC	ICT	2008
BRAC	Liberia	CSO	Financial services	2012
Cadbury Cocoa Partnership	Ghana	Foreign MNC	Agriculture and forestry	2012
Cashew Producers and USAID	Guinea	MSME	Agriculture and forestry	2008
Celtel and Celpay	Democratic Republic of Congo	Developing country MNC	ICT	2008
Chaka Group	Senegal	MSME	ICT	2008
Du Vent, de l'Eau pour la Vie (VEV)	Senegal	MSME	Water and sanitation	2010
Dunavant	Zambia	Foreign MNC	Agriculture and forestry	2012
Ecotact	Kenya	CSO	Water and sanitation	2010
EDF	Mali	Foreign MNC	Energy	2008
Edu-Loan	South Africa	MSME	Financial services	2008
The El-Fashir Blacksmiths Cooperative/Practical Action	Sudan	CSO	Consumer goods	2010
Esoko	Ghana	CSO	ICT	2010
Ethiopian Honey and Beeswax Producers and Exporters Association (EHBPEA)	Ethiopia	CSO	Agriculture and forestry	2012
Fair Trade Cotton	Mali	CSO	Agriculture and forestry	2008
GADCO	Ghana	MSME	Agriculture and forestry	2012
Inova	Burkina Faso	MSME	Financial services	2012
Integrated Tamale Fruit Company (ITFC)	Ghana	MSME	Agriculture and forestry	2008
K-REP Bank	Kenya	Large domestic company	Financial services	2008
Kenya Agricultural Commodity Exchange Limited (KACE)	Kenya	CSO	Agriculture and forestry	2010
Kuyasa	South Africa	CSO	Energy	2010
L'Occitane	Burkina Faso	Foreign MNC	Agriculture and forestry	2012
Lonestar	Liberia	MSME	ICT	2012
MAP International	Uganda	MSME	Financial services	2010
Mobah Rural Horizons	Nigeria	MSME	Consumer goods	2010
Moladi	South Africa	MSME	Housing and construction	2010
Mondi Recycling	South Africa	Foreign MNC	Waste	2010
Olam	Nigeria	Foreign MNC	Agriculture and forestry	2010
PepsiCo	Ethiopia	Foreign MNC	Agriculture and forestry	2012
Pésinet	Mali	CSO	Health care	2008
RMB, Nedbank	South Africa	Large domestic company	Financial services	2008
Safaricom M-Pesa	Kenya	Foreign MNC	ICT	2008
Sanofi	Sub-Saharan Africa	Foreign MNC	Health care	2008

Tedcor	South Africa	MSME	Waste	2010
The Sustainable Healthcare Foundation	Kenya	CSO	Health care	2008
Tiviski Dairy	Mauritania	MSME	Agriculture and forestry	2008
ToughStuff	Kenya	MSME	Energy	2012
Toyola	Ghana	MSME	Energy	2010
VidaGás	Mozambique	CSO	Energy	2008

Adina for Life

Country: Senegal

Type of enterprise: MSME

Sector(s): Agriculture and forestry

Type of institutional support: Investment; Implementation support

Author(s): Mamadou Gaye

Year: XXX

Adina for Life Inc. is a joint venture created in 2004 to sell culturally authentic, healthy beverages to the North American market. Margette Wade-Marchand, a Senegalese expat, conceived the idea after discovering that a hibiscus drink called “Bissa”, an important symbol of Senegalese culture, was beginning to disappear. She partnered with Greg Steltenpohl, an entrepreneur in the juice industry, to sign a fair trade contract with the Quality Biological Agricultural Cooperative (QABCOO) in Senegal, which harvested the hibiscus blossoms for the drinks. The 527 members of this cooperative, mostly women, experienced an eight-fold increase in income and benefited from capacity building. Adina has implemented similar business models in Ethiopia, Guatemala, India and Indonesia.

Adina received considerable initial funding from private capital and venture capitalists. The business also received support from Agribusiness in Sustainable Natural African Plants (ASNAPP), a multinational agricultural consultancy, and Association Education Santé (AES), a Senegalese non-profit organization led by the First Lady of Senegal, both of which provided advice and monitoring. AES also provided training to the cooperative in the early stages of the business.



Amanz' abantu

Country: South Africa

Type of enterprise: MSME

Sector(s): Water and sanitation

Author(s): Mamadou Gaye & Ousmane Moreau

Type of institutional support: Incentives; Implementation support

In South Africa's Eastern Cape province, many people lack access to potable water and sanitation, and forced to walk for several hours to obtain unclean river water.

Amanz' abantu meaning "water for the people" in Xhosa, Ndebele and Zulu – was established as a private company in 1997 to fill this service delivery gap affecting peri-urban and rural communities in the Eastern Cape. The company supplies water that meets international quality standards, piping it to sites where individuals can access standpipes using smartcard technology. Having a safe water supply within 200 metres of their homes has transformed residents' lives. Amanz' abantu makes use of local labour, generating employment and equipping locals with employable skills, offering training in all aspects of planning and construction of water and sanitation systems. Amanz' abantu follows sound environmental practices in the design, construction and delivery of water and sanitation services.

In the late 1990s, the South African government introduced a public-private partnership solution to service delivery demands. The Department of Water Affairs and Forestry responded with its Build, Operate, Train, Transfer (BoTT) programme, which paved the way for the establishment of Amanz' abantu.

Aspen Pharmacare

Country: South Africa

Type of enterprise: Developing country MNC

Sector(s): Health Care



Author(s): Courtenay Sprague & Stu Woolman

Type of institutional support: Incentives

South Africa has one of the highest HIV/AIDS rates in the world – yet until 2001 anti-retroviral (ARV) medicines were unaffordable for the majority of those infected.

Aspen Pharmacare Holdings Ltd. (Aspen) is a major pharmaceutical manufacturer based in Durban that supplies cheap, generic ARVs for South Africa's free, universal, public-sector HIV/AIDS treatment programme. The company also provides affordable medicines for the treatment of other life-threatening diseases, including tuberculosis and malaria. Steven Saad founded Aspen in 1997. Starting small, it has since grown to become the largest producer of tablets and capsules in Africa.

Aspen received institutional support in the development of its generic line of drugs in South Africa. The South African government, under pressure from civil society groups, recognised the need for generic ARV production and used the tax incentives mandated by its Strategic Investment Programme (SIP) to enable Aspen to invest in manufacturing facilities for this purpose. Building on that investment and the promise of a mass ARV programme in South Africa, Aspen has secured voluntary licenses from a significant number of multinational patent-holders to produce a broad array of ARVs.

Association of Private Water Operators

Country: Uganda

Type of enterprise: MSME

Sector(s): Water and sanitation

Author(s): Winifred N. Karugu & Diane Ndotu Kanyagla

Type of institutional support: Investment; Incentives; Implementation support

Over 85 percent of Uganda's population lives in rural areas, often with poor water supply, conditions which aggravate poverty and encourage the spread of disease.

In 2003, Uganda developed a public-private partnership to address rural water needs. The government finds sites, drills boreholes, facilitates community land



purchase and subsidizes installation. Private water suppliers, who operate under the umbrella of the Association of Private Water Operators (APWO), distribute water, conduct safety checks and retain profits. The community water board, meanwhile, owns the assets and sets tariffs and policies. In 2011 there were 35,000 active connections with PWOs in 74 small towns throughout Uganda.

The majority of initial funding came from the Poverty Action Fund (PAF), with further contributions from the Ugandan national government and other donors. The Ugandan National Water Policy, implemented in 1999, provided the policy framework for reform. APWO has set up an accreditation manual for admittance to the Association. Technical and administrative training, sponsored by GIZ and the Ugandan government, are provided to APWO members.

Barclays

Country: Ghana

Type of enterprise: Foreign MNC

Sector(s): ICT

Author(s): Robert Darko Osei

Type of institutional support: Information; Implementation support

Susu collection, practiced for over 300 years in Africa, is an informal arrangement for mobilizing savings deposits. Operators collect a predetermined instalment of money from their client on a daily or weekly basis. Four thousand Susu collectors are active in Ghana, each serving 200 to 850 clients a day.

In 2005, Barclays Bank of Ghana began an initiative to leverage Susu collection in extending microfinance to Ghana's small traders and micro-entrepreneurs. Collectors can store money safely at Barclays branches, where it earns interest. Barclays in turn gains access to the collectors' existing clients and benefits from collectors' expertise and good client relationships. The programme means the bank can increase cash flow without having to expand its own network. The bank sells other services, such as small business credit, through the collectors.



Barclays raises awareness about its Susu Collectors Initiative by inviting potential end-users to meetings and training sessions covering financial management and insurance. The bank also trains Susu collectors in delinquency management, financial credit and risk management.

BRAC Liberia

Liberia

Type of enterprise: CSO

Sector(s): Financial services

Author(s): Alfred K Tarway-Twalla

Type of institutional support: Incentives, Investment

Liberia has faced major difficulties rebuilding both physical and human capital since the end of its 14-year civil war in 2003. A mere 15 percent of Liberians are formally employed and 68 percent live below the poverty line.

BRAC, an NGO founded in Bangladesh in 1972, began operations in Liberia in 2008. It provides microloans to women, typically small business owners, as well as small enterprise loans. The organization supports the agriculture activities of smallholder farmers by providing farm inputs and free training workshops. BRAC requires no physical collateral and offers its small loans – ranging from \$100 to \$500 – at competitive interest rates. BRAC has opened 30 microfinance branches in seven of Liberia's 15 counties, and has around 300 Liberian employees. It has provided some 25,000 low-income Liberians with microfinance.

BRAC partnered with the Liberian Ministry of Foreign Affairs, which issued the Articles of Incorporation that enabled the registration of its microfinance company. BRAC obtains funds from BRAC–Kiva and other donor organizations such as FOSI, DFID, KIVA and SEDF.

Cadbury Cocoa Partnership

Country: Ghana



Type of enterprise: Foreign MNC

Sector(s): Agriculture and forestry

Author(s): Robert Darko Osei

Type of institutional support: Information; Investment, Implementation Support

In 2012, cocoa represented 22.5 percent of Ghana's total export earnings; however low productivity, lack of access to inputs and credit and other challenges represent a threat to sustained production of this crop.

The Cadbury Cocoa Partnership was launched in 2008 by Mondelēz International (formerly Cadbury/Kraft), the Ghana Cocoa Board (COCOBOD), UNDP, World Vision, CARE International and other partners. The Partnership currently benefits 209 communities in seven districts. In each community, local cocoa facilitators are identified and trained to work closely with cocoa farmers to increase production through regular harvesting, spraying and fair trade certification, as well as the formation of farming societies to encourage the exchange of operational information. The Partnership also works to attract young people to cocoa farming through a peer-to-peer mentoring and awareness program.

The Partnership benefits from a strong network of partners who work at the policy, implementation, and community levels. Mondelez International contributed the GBP 30 million implementation fund and coordinates the partners. COCOBOD drives extension services, R&D and policy. CARE and other NGOs work at the community level to help in capacity building and formation of community development plans.

Cashew Producers and USAID

Country: Guinea

Type of enterprise: MSME

Sector(s): Agriculture and forestry

Author(s): Mamadou Gaye & Ousmane Moreau

Type of institutional support: Investment; Incentives; Implementation support



In 2008, Guinea produced approximately 5,000 tons of raw cashew nuts. Despite fertile soil and climatic conditions favourable to the large-scale cultivation of high quality cashews, Guinea's production is a fraction of what it could be. The full potential of the sector has not been exploited due to lack of government support, financing and coordination for market development.

Since 2004, the Global Development Alliance Partnership – encompassing several Guinean cashew cooperatives, the Guinean government, the U.S. Agency for International Development (USAID) and multinational food company Kraft Foods – has been helping Guinean farmers produce and sell cashews. Old cashew plantations have been rehabilitated, seed quality improved and large numbers of farmers have benefited from training.

The Partnership began with a \$1 million funding commitment from USAID, SPCIA – a local agricultural support and export organization – and Kraft Foods. The Guinean government has contributed to the growth of the sector by waiving export taxes. SPCIA has helped farmers form cooperatives in order to coordinate activities and share information, and together with other NGOs, it has provided them with important technical training.

Celtel and Celpay

Country: Democratic Republic of Congo

Type of enterprise: Developing MNC

Sector(s): ICT

Author(s): Juana de Catheu

Type of institutional support: Investment; Information; Implementation support

The underdeveloped telecommunications industry in the Democratic Republic of Congo (DRC) was long hampered by an absence of infrastructure and the failed economy, marred by years of civil war. Celtel International (bought in 2010 by Bharti Airtel and rebranded as “Airtel”) entered the DRC market in 2000. It was a market beset by widespread poverty, depleted human capacity and political uncertainty. The potential customer base was small and opportunities for reaching it limited. Despite



these obstacles, Celtel has gained more than two million customers in the country. Celtel also established Celpay – now owned by the FirstRand banking group – as a mobile banking system. Celtel injected cash into rural economies, created hundreds of direct jobs and thousands more indirect jobs, and allowed the exchange of information among communities previously isolated by war and a lack of infrastructure.

Celtel DRC receives strong financial backing from its parent company and has built strong relationships with political authorities. It benefited from a law passed in 2003 providing a clearer framework for the telecommunications industry. Celtel has invested in training programmes targeting dynamic young employees and more experienced managers.

Chaka Group

Country: Senegal

Type of enterprise: MSME

Sector(s): ICT

Author(s): Mamadou Gaye & Ousmane Moreau

Type of institutional support: Implementation support

Many poverty-stricken households in Senegal are dependent on remittances from its diaspora, but transferring money is not always easy.

Money Express, the flagship company of the Chaka Group's portfolio of businesses, offers an affordable and convenient way of sending remittances to West African countries. Created in 1994 by Senegalese entrepreneur Meissa Deguene Ngoma, Money Express operates in both rural and urban areas, working in partnership with networks of smaller banks in villages. It is cheaper to transfer money through Money Express than through the major established competitors in the sector. This route is also open to customers who lack the identification necessary for access to established banks, and offers a range of transfer options including purely cash or account transactions, or a blend of the two. Money Express is committed to its clients and its agents even hand deliver remittances to elderly customers.



Money Express partners with a network of financial institutions, from national banks to small village savings offices. The Senegalese Housing Bank has been an especially valuable partner, as it operates in every country with a significant Senegalese community. Money Express also places a strong emphasis on training.

Du Vent, de l'Eau pour la Vie (VEV)

Country: Senegal

Type of enterprise: MSME

Sector(s): Water and sanitation

Author(s): Mamadou Gaye

Type of institutional support: Incentives, Investment, Implementation support

Access to water is a major issue in rural Senegal. People in these areas depend on water from traditional wells, which can be unreliable and require immense effort, mostly from women.

To solve this problem, wind-powered water pumps were installed by the Italian aid agency LVIA (Lay Volunteers International Association) in 130 Senegalese villages between 1981 and 1991, until funding ran dry. Michel Tine, a local man who had been employed by the agency, then started a company called Wind, Water for Life (Du Vent, de l'Eau pour la Vie; VEV) to take over operations. The company provides maintenance and repair for the pumps and sources local parts for the installation of new pumps. The pumps have provided numerous benefits to communities, such as income from garden cultivation, improved health and reduced time for water collection. It has generated between 660 and 1,100 jobs.

The Senegalese government granted permission for the LVIA project to continue and granted tax relief to VEV for the pump parts that had to be imported from India. The company also received an initial loan from E+Co, an NGO that supports small energy businesses in developing countries. VEV also received management coaching from Caritas, an international Catholic philanthropic organization.



Dunavant

Country: Zambia

Type of enterprise: Foreign MNC

Sector(s): Agriculture and forestry

Author(s): Andrea Lozano

Type of institutional support: Investment, implementation support

The Zambian cotton industry provides a livelihood for approximately 350,000 smallholder farmers whose productivity is at constant risk from malaria.

Dunavant Zambia is a multinational cotton trading company that purchases seed cotton from smallholder farmers, processes it into lint and sells it internationally. It operates with over 150,000 smallholders in five provinces. In an attempt to build cross-sector synergies for public health, the National Malaria Control Centre and Dunavant Zambia have implemented a large-scale malaria prevention programme targeting 40,000 extremely poor cotton-farming households. Malaria incidence was halved among the households; Dunavant also developed deeper ties with its farmers and saw a higher cotton yield. The programme was considerably cheaper than comparable initiatives in sub-Saharan Africa. Preliminary results suggest that scaling up this project could bring major economic and health benefits for cotton-farming households in Zambia.

The National Malaria Control Centre (NMCC) provides logistical support, equipment, and temporary staff to the project. The Bill and Melinda Gates Foundation provides funding.

Ecotact

Country: Kenya

Type of enterprise: CSO

Sector(s): Water and sanitation

Author(s): Winifred N. Karuga



Type of institutional support: Information; Investment

Over 40 percent of Kenya's population lacks access to satisfactory sanitation, even more so in urban slums.

Ecotact was founded in 2007 by Kenyan urban planner David Kuria. This company has erected 60 multi-functional Ikotoilets (otherwise known as "toilet malls") in Kenya's urban slums, which accessed by over 48,000 people a day. These facilities are financially self-sustaining: users pay a small fees, micro-entrepreneurs rent commercial space and further revenues come from advertising on Ikotoilet premises. Ikotoilets make use of innovative water conservation measures.

Ecotact began without financial backing but has since received funding from Ashoka, the Schwab Foundation, Rotary International, the Dutch government, East Africa Breweries Limited and Safaricom. Ecotact has partnered with Water and Sanitation for the Urban Poor (WSUP) to carry out research on sanitation in urban and peri-urban areas in Kenya, which laid the groundwork for the design and ensured local needs were considered. Advocacy efforts by local and national government and the company itself have also contributed to its success. Ecotact works with NGOs on a community outreach to educate communities about the value of good hygiene and proper waste management.

EDF

Country: Mali

Type of enterprise: Foreign MNC

Sector(s): Energy

Author(s): Mamadou Gaye

Type of institutional support: Information; Investment; Implementation support

Just 17 percent of Mali's population has access to electricity, even less in rural areas.

Koraye Kurumba and Yeelen Kura are rural energy services companies operated in Mali by Électricité de France (EDF), Dutch energy company Nuon and French group Total, with support from the French Agency for the Environment and Energy



Efficiency. Their low-cost electricity, based on solar home systems and small, low-voltage village micro-networks supplied by diesel generators, has had sizeable impact on development: improved standards of living, new income-generating activities and greater quality of healthcare and education. The model serves 3,000 customers.

EDF's Mali operations began in the 1990s with a comprehensive feasibility study on rural electrification. The company's actions were facilitated by favourable legal, regulatory and fiscal conditions, overseen by the Malian Agency for the Development of Household Energy (AMADER). Funding for the programme comes from the Dutch government, the World Bank and the EDF itself, which also provides training programs and equipment to local subsidiaries.

Edu-Loan

Country: South Africa

Type of enterprise: MSME

Sector(s): Financial services

Author(s): Farid Baddache

Type of institutional support: Investment

Under apartheid, South Africa's public authorities long neglected the educational needs of the vast majority of the country's people. Now, in the new economy, there is a pressing need for skilled and educated workers to sustain development. However, many historically disadvantaged people cannot afford post-secondary education, nor do they qualify for traditional modes of financing.

Edu-Loan, a for-profit company that provides loans for post-secondary education, offers simple repayment options – at affordable rates – to applicants who have been disadvantaged in the past. Since its inception in 1996, Edu-Loan has financed close to 600,000 students with loans totalling over \$300 million. Most loans are charged at 1 percent above the prime rate. Since Edu-Loan pays universities upfront, it can often secure a 10 percent discount on student fees.



Edu-Loan borrows credit from retail banks at the prime rate to pay its lenders' tuition fees. In its dealings with retail banks, Edu-Loan is guaranteed by AFD (French Development Agency), the International Finance Corporation, DEG (German Investment & Development Agency) and Standard Bank.

The El-Fashir Blacksmiths Cooperative/Practical Action

Country: Sudan

Type of enterprise: CSO

Sector(s): Consumer goods

Author(s): Samer Abdelnour

Type of institutional support: Implementation support

The blacksmiths of El-Fashir are among the most socially excluded castes in Darfur, Sudan, practicing in subsistence fashion without the benefit of organization.

In the 1990s, UK-based international NGO Practical Action introduced Darfur's blacksmiths to new production techniques, materials and management practices.. the blacksmiths have formed a cooperative which has provided numerous benefits. Once formed into a cooperative, the blacksmiths .received further assistance from Practical Action in sourcing metal, contract negotiation and delivery of finished products. Cooperative members benefit from bulk purchase of inputs (metal and charcoal), mutual assistance in filling large orders and shared knowledge of innovations in production and design. Today the cooperative owns and operates 75 workshops, concentrated in the metalworking section of the El-Fashir markets. They produce agricultural implements and tools that are widely distributed across Darfur and nearby states, and have a number of contracts with international agencies such as FAO.

Practical Action provided considerable initial support to the blacksmith cooperative, but on-going capacity building has enabled the blacksmiths to assume ever greater responsibility for core functions of their business.

Esoko Networks



Country: Ghana

Type of enterprise: CSO

Sector: ICT

Author(s): Olayinka David-West

Type of institutional support received: Information, incentives

Esoko Networks, founded in Ghana in 2005, is the operator of Esoko, a mobile information system developed with the aim of reducing transaction costs and overcoming information asymmetry in the agricultural value chain, thereby increasing the bargaining power and income of smallholder farmers. IT entrepreneur Mark Davies started the company, working with a team of local and international professionals to develop the mobile-enabled service. Development included a four-year pilot phase to tailor the technology to the local markets. Smallholder farmers registered with Esoko receive a text message package of weekly advisory services including current market prices, matching bids and offers, weather forecasts as well as news and tips. In some countries, advisories may also be sent by voice message, and agricultural experts are on hand in call centres to complement data alerts. Not only can farmers negotiate better prices, choose different markets, or time their sales better, but they can also participate in out-grower schemes through Esoko profiling and reputational history. Participating farmers have experienced an average increase of between 10 percent and 30 percent.

Esoko began as a donor-financed project with funding from the International Finance Corporation (IFC) and the Soros Economic Development Fund (SEDF).

Ethiopian Honey and Beeswax Producers and Exporters Association

Country: Ethiopia

Type of enterprise: CSO

Sector(s): Agriculture and forestry

Author(s): Tofik Siraj Fite



Type of institutional support: Incentives Investment; implementation support

Ethiopia's honey and beeswax industry remains underdeveloped despite ample natural resources. Smallholder beekeepers tend to use traditional techniques of beekeeping and honey production, resulting in poor productivity and quality.

In order to develop the value chain, seven local companies came together in 2005 to establish the Ethiopian Honey and Beeswax Producers and Exporters Association (EHBPEA) as a platform for cooperation and expansion. With the support of a range of NGO, government and research partners, the Association has managed to significantly improve standards in the sector, which has led opened up access to niche international markets. The EHBPEA has also launched an out-growers scheme, providing workshops on modern beekeeping and post-harvest handling to over 8,000 smallholder beekeepers who also receive modern beehives and other inputs on a credit basis.

The EHBPEA receives significant financial and technical support. The Association is largely funded by donor organizations, particularly the Netherlands Development Organisation (SNV). The EHBPEA also receives support from the Ethiopian government, which has developed national standards for the industry and assisted with international accreditation.

Fair Trade Cotton

Country: Mali

Type of enterprise: CSO

Sector(s): Agriculture and forestry

Author(s): Mamadou Gaye

Type of institutional support: Information; Implementation support

Cotton accounts for over 30 percent of Mali's export revenues and represents the main source of income for millions of people. Malian farmers generally work with outmoded tools on family plots and compete with highly subsidised producers from



wealthier countries, and are consequently extremely vulnerable to international price fluctuations and market volatility.

The Fairtrade Labelling Organizations International (FLO) and its French branch Max Havelaar, have responded to this situation by joining with a number of French, Belgian, Swiss and UK clothing retailers (such as France's Armor Lux), in a fair trade partnership which aims to improve incomes and bring greater sustainability to cotton production practices in Mali and surrounding countries. The emphasis is on sustainable development with improved working conditions and guaranteed prices above the cost of production. Max Havelaar and Dagrif, a French textile and agricultural development agency, began evaluating Malian smallholder cotton farmers in the 1990s to determine whether they could meet international fair trade standards. The Mali Textile Development Company supplies technical support to farmers as part of this programme, which improves the quality of cotton fibre produced.

GADCO

Country: Ghana

Type of enterprise: MSME

Sector(s): Agriculture and forestry

Author(s): Robert Darko Osei

Type of institutional support: Information, Implementation support

The agricultural sector employs over half of Ghana's workforce and contributed 28 percent of GDP in 2010.

GADCO is an agri-food company that aims to promote hybrid grain production, add value to agricultural products through sustainable infrastructure and market its home-grown COPA grain products. GADCO incorporates smallholders into its value chain through its COPA Connect program, helping them advance from subsistence to commercial agriculture. GADCO buys quality produce from farmers and collects a service fee that covers improved seeds and other inputs provided to the farmer as well as overheads and a capital expenditure cost that includes use of machinery.



Smallholders cultivate land on GADCO's 1,000-hectare nucleus farm, which also serves as a demonstration facility to encourage buy-in from other farmers. The farmers' annual income is expected to double through this program.

GADCO works with several partners in this endeavour, including Syngenta, which provides seeds and, other inputs as well as on-site R&D; the World Bank, which conducts rigorous impact evaluations to assist model development; Finatrade, which will assist in scaling up COPA's distribution throughout West Africa. Other partners include challenge funds and NGOs which provide management assistance along with financial and technical support.

Inova

Country: Burkina Faso

Type of enterprise: MSME

Sector(s): Financial services

Author(s): Yarri Kamara

Type of institutional support: Incentives

Burkina Faso is a low-income country in which 43 percent of the population live below the national poverty line, with a financial service sector which remains underdeveloped even in comparison with other low-income countries.

Inova was established in Burkina Faso in 2007 to provide mobile money services. Inova has adopted a franchise model, by which individuals or existing businesses set up Inova service centres across the country where consumers can deposit or withdraw cash. With around 60,000 clients, Inova recorded a transaction volume of \$6 million for mobile money services in 2011, including transfers, payments of utility bills and purchases, deposits and withdrawals.

In order to promote the utilisation of financial services in the region, the Central Bank of West African States, BCEAO, became one of the only central banks in recent times to authorise electronic money transactions by non-bank institutions. This



favourable regulatory environment allowed new actors to launch “agency-less” banking operations and develop a wider range of services.

Integrated Tamale Fruit Company

Country: Ghana

Type of enterprise: MSME

Sector(s): Agriculture and forestry

Author(s): Robert Darko Osei

Type of institutional support: Investment; Implementation support

Rural regions of Ghana are marked by a high incidence of poverty and many people are economically inactive. The Integrated Tamale Fruit Company (ITFC) – operating in Ghana’s Savelugu Nanton District – works with smallholder farmers to cultivate certified organic mangoes for local and export markets. Rather than acquiring one large parcel of land – which would be physically and financially impractical – the company generates high volumes through an out-grower scheme, which was launched in 2001 and had expanded to 1,300 farmers by 2008. The ITFC provides an interest-free loan to the out-growers through farm inputs and technical services, and farmers only start paying for the loan once the trees yield fruit. This arrangement means the company can reliably source a large volume of high-quality organic mangoes and farmers can look forward to long-term income prospects in mango production . The ITFC also provides technical assistance to farmers.

K-REP Bank

Country: Kenya

Type of enterprise: Large domestic company

Sector(s): Financial services

Author(s): Winifred N. Karugu & Diane Nduta Kanyagia

Type of institutional support: Implementation support



K-REP Bank, which started operations in 1999, was Kenya's first microfinance bank. It provides banking access to low-income workers, without sacrificing commercial viability. K-REP regards banking and financial services as basic human rights. It offers a diverse range of products and services including microcredit facilities, individual loans, wholesale loans to microfinance providers, deposit facilities and saving schemes, letters of credit and bank guarantees. Taking inspiration from the Grameen Bank's group-lending model, the bank's microcredit loans fall into three categories. Groups advance through the categories until they are eligible for commercial bank loans. In 2007 K-Rep Bank had 180,000 lenders and around the same number of depositors.

In disadvantaged districts and communities K-REP Bank offers under-educated clientele training in financial management during regular group meetings.

Kenya Agriculture Commodity Exchange Limited (KACE)

Country: Kenya

Type of enterprise: CSO

Sector(s): Agriculture and forestry

Author(s): Winifred N. Karugu

Type of institutional support: Investment

Smallholder farmers in rural sub-Saharan Africa are often at a disadvantage in local and international agricultural markets because of their limited access to markets and market information and an overreliance on intermediaries who absorb most of their profits.

In 1997, Dr. Adrian Mukhebi established KACE to address these problems within Kenya. This MSME collects up-to-date information on the price and availability of commodities in various markets, which farmers and stakeholders can access at a small fee through a mobile text messaging service, at KACE's rural information centres or on a daily nationwide radio programme. Farmers can use the system to view purchase offers from potential customers and distributors and to make their own sales offers. Thousands of farmers in Kenya have seen improved earnings, from 22



percent to as high as 150 percent for some commodities, and the company has started operations in Uganda and Tanzania.

While KACE was established without external funding or loans, it has since received funding from a number of international donors including USAID and the Rockefeller Foundation. Most of this funding has been pegged to specific projects and has been used for capacity building and operational expansion.

Kuyasa

Country: South Africa

Type of enterprise: CSO

Sector(s): Energy

Author(s): Michael Goldman

Type of institutional support: Incentives

Millions of people in South Africa who received public housing following the end of apartheid suffer a disproportionate financial and health burden linked to poor thermal efficiency.

The Kuyasa Clean Development Mechanism (CDM) project was developed to retrofit 2,309 low-income houses in Kuyasa, an informal housing settlement outside of Cape Town, with solar water geysers, insulated ceilings and compact fluorescent lights. The project was developed by SouthSouthNorth, a non-profit organization, when it recognised the potential of the Kyoto Protocol's CDM. The project aimed to improve the thermal performance and energy efficiency of existing low-cost housing units, thereby alleviating energy poverty by providing the poor with access to renewable energy-efficient technologies. The project stalled for two years due to implementation and funding model problems, but it was reactivated in August 2008 and completed in October 2010.

Occupants of the retrofitted houses made small monthly financial contribution to the project while the South African Department of Environmental Affairs and Tourism and



the provincial government's Department of Housing provided additional external funding for the project.

L'Occitane

Country: Burkina Faso

Type of enterprise: Foreign MNC

Sector(s): Agriculture and forestry

Author(s): Yarri Kamara

Type of institutional support: Incentives, Implementation support

In Burkina Faso, 52 percent of the rural population lives in poverty.¹⁰⁰ The collection and processing of shea butter, used for cooking and personal hygiene in the form of creams or soaps, is one source of income.

L'Occitane en Provence, a French multinational cosmetics firm known for luxury products based on natural ingredients, has been sourcing shea butter from women's groups in Burkina Faso since the 1980s, helping some 15,000 women to achieve economic independence. Recently, L'Occitane helped its suppliers obtain fair trade and organic certification and it now buys its shea butter – 500 tons in 2011 – at a minimum fair trade price. The cooperatives contribute 2 percent of their sales revenues to a social development fund for the producer community. L'Occitane pays an 80 percent advance to the cooperatives each year so that they can meet the costs of harvesting, purchasing and processing shea nuts. The company also provides laboratories for quality testing and offers a bonus for butter which meets the highest quality criteria.

L'Occitane has partnered with several non-profit organizations in Burkina Faso, including Canada's Centre d'Etude et de Coopération Internationale (CECI), which helped organize the women's groups into cooperatives and continues to provide technical training. It supports cooperatives in obtaining fair trade and organic certification.

¹⁰⁰ World Bank Poverty Indicators 2010



Lonestar

Country: Liberia

Type of enterprise: MSME

Sector(s): ICT

Author(s): Alfred K Tarway-Twalla

Type of institutional support: Incentives

Liberia's 14-year civil war devastated the country's economy and infrastructure. Lonestar Communications Corporation (LCC) was launched in 1999 to fill the telecommunications gap. It provides affordable mobile services to Liberians, including voice and data packages, SMS and, most recently, mobile banking. LCC has over one million subscribers and has provided many employment opportunities, targeting the highly at-risk group of unemployed young men that were singled out for recruitment by rebel forces during the civil war. The company employs 500 people directly and has created significant indirect employment.

LCC receives support from several partners. The Ministry of Finance, for example, inspired confidence in the company's products by using Lonestar's Mobile Money to pay civil servants. LCC has partnered with Ecobank to establish its mobile banking service, and offers free ICT courses to the general public through the University of Liberia. Finally, Lonestar works with NGOs and other partners to provide further training and highlight important causes, such as children's rights and education.

MAP International

Country: Uganda

Type of enterprise: MSME

Sector(s): Financial services

Author(s): Eria Hisali

Type of institutional support: Incentives



Uganda faces serious challenges in extending financial services into rural areas and in equipping low-income-earners with the identification required by banking institutions. In 2006, 90 percent of the population did not have access to a bank account.

In 2007, New York-based MAP International established an office in Uganda with the aim of improving financial access in the country and encouraging economic empowerment, employment generation and enterprise creation. MAP provides central bank-approved biometric identification and a virtual financial service that links consumers, merchants, banks, and service providers. Customers can use many different access points, including ATMs, mobile phones and computers. MAP International has expanded its customer base, issuing over 100,000 debit cards since its inception. It also operates 26 ATMs and over 150 point of sale terminals throughout Uganda.

MAP has signed an agreement with PostBank Uganda, a wholly government-owned bank. This partnership has been very useful for MAP in securing customers and it subsequently developed PostBank Uganda's mobile banking infrastructure.

Mobah Rural Horizons

Country: Nigeria

Type of enterprise: MSME

Sector(s): Consumer goods

Author(s): [Oluwemimo Oluwasola](#)

Type of institutional support: Information, Incentives, Investment

In rural Niger, poor road and electricity infrastructure means produce spoils before entering distribution channels, forcing farmers to accept lower prices for their goods.

The pot-in-pot cooling system ('fridge for the poor') was invented to help farmers preserve their produce. Mohammed Bah Abba, a lecturer at a local university, used his personal savings and tapped into a large, unemployed workforce to produce a first set of 12,000 pots, which he distributed to households for free to stimulate local



demand. In 2000 he launched Mobah Rural Horizons in order to increase distribution. The company now sells 30,000 coolers a year in Niger and Nigeria to farmers and other users who need to preserve food. Abba identifies local pot makers in new markets and commissions them to make the pots.

Mobah Rural Horizons received funding from family members and the UNDP with prize money from the Rolex Award for Enterprise representing a further \$75,000. The company benefits from public procurement by bodies such as Nigeria' Ministry of Women's Affairs, which distributes coolers to beneficiaries in rural areas. The company engages in marketing and advocacy initiatives in every new village it visits, using films to educate local farmers about the value of its technology.

Moladi

Country: South Africa

Type of enterprise: MSME

Sector(s): Housing and construction

Author(s): Pierre Coetzer

Type of institutional support: Implementation support

There is a massive demand for affordable housing in developing countries across the world. A lack of resources, funds and skills shortages, combined with environmental challenges, mean many governments are hard-pressed to meet this demand.

Moladi is a stand-alone family business active in construction technology, offering solutions to the challenge of providing affordable housing for the poor. The business was founded in the 1980s in South Africa by Hennie Botes, and uses an innovative system of moulds assembled with plastic panels into which an aerated mortar (stone-less concrete) is poured. This construction method is relatively easy to work with while reducing costs and time, as well the need for traditional building materials. Moladi technology has met resistance in the South African construction industry, but has been more widely adopted in affordable housing projects in 16 developing countries throughout Africa and Latin America, creating thousands of jobs.



Moladi provides training to builders for each new project. The company is in the process of creating a “Moladi College” in South Africa to train unskilled labourers in construction practices as well as enterprise management.

Mondi Recycling

Country: South Africa

Type of enterprise: Foreign MNC

Sector(s): Waste

Author(s): Pierre Coetzer

Type of institutional support: Incentives, Implementation support

The waste management sector in South Africa has the potential to help alleviate unemployment in the country, which currently stands at 24.9 percent,¹⁰¹ while also addressing such issues as carbon emissions and environmental sustainability.

Mondi Recycling, a unit of Mondi Packaging South Africa, outsources an essential part of its recovered-fibre supply chain to former employees through an owner-driver scheme, establishing independent sorting and baling operations, and conducting business with a network of buy-back centres and individual hawkers. Many of the owner-drivers have become successful entrepreneurs, providing a living for hundreds of low-income South Africans. This scheme has resulted in the establishment of 40 small enterprises, each receiving around ZAR 1.07 million (\$143,000¹⁰²) per year from Mondi.

Mondi is supported by state-backed entities such as the Industrial Development Corporation (IDC), which provided a ZAR 500,000 loan (\$66,700) as partial start-up finance for the buy-back centres in 2005. Many small entrepreneurs running the buy-back centres have received training in financial literacy and management skills from the South African Department of Trade and Industry.

¹⁰¹ Statistics South Africa (2012) www.statssa.gov.za/keyindicators/keyindicators.asp

¹⁰² December 2009 rates.



Olam

Country: Nigeria

Type of enterprise: Foreign MNC

Sector(s): Agriculture and forestry

Author(s): Oluwemimo Oluwasola

Type of institutional support: Information, Implementation support

The Nigerian agricultural sector employs 65 percent of the national labour force. However due to difficulties in market access and low production levels, the sector accounts for just 41.5 percent of GDP.

Olam Nigeria Limited is working to address problems associated with product failure, foreign exchange transactions and lack of market information. The company engages smallholders by providing farm equipment and inputs, which the farmers pay back in the form of medium-term loans, and encourages farmers to form cooperatives and provides them with training. The company's business portfolio embraces the entire product supply chain, using a network of local buying agents, primary processing facilities and logistical services. Olam has generated 500 jobs directly and 10,000 indirectly, with farm earnings per hectare increasing from \$235 to \$1,000. Olam has received several awards for its efforts, including the 2011 Africa Business Award for Corporate Social Responsibility and the 2010 award for Overall Best Exporter of the Year.

Olam engages in advocacy efforts with the Manufacturers Association of Nigeria (MAN) and the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) to pressure the Nigerian government to address infrastructure issues and inconsistent policies.

PepsiCo

Country: Ethiopia

Type of enterprise: Foreign MNC



Sector(s): Agriculture and forestry

Author(s): Tofik Siraj Fite

Type of institutional support: Investment, Implementation support

Ethiopia is among the top producers and exporters of chickpeas in the world. However, challenges such as unreliable rainfall mean that chickpeas are treated as a secondary crop.

In 2011, PepsiCo established a public-private partnership with WFP, USAID and the Ethiopian government, which aims to introduce modern farming practices, improved irrigation and higher-yielding seeds to increase production and export of chickpeas in Ethiopia. This will help secure a reliable, long-term supply for Pepsi's range of chickpea-based products, while allowing it to evaluate the market for these products in Africa. PepsiCo is currently developing and producing a cost-effective ready-to-use supplementary food (RUSF) made from chickpeas, with the aim of reaching 40,000 malnourished children via the WFP. The project is aims at eventually reaching 10,000 smallholder farmers.

PepsiCo approached USAID and the Ethiopian Institute for Agricultural Research (EIAR) to provide training to farmers in modern farming techniques and to assist with research on developing better chickpea seeds. USAID also provided a grant of US\$7 million to the alliance to finance technical assistance.

Pésinet

Country: Mali

Type of enterprise: CSO

Sector(s): Health care

Author(s): Mamadou Gaye & Ousmane Moreau

Type of institutional support: Investment; Implementation support

Mali has a very high child mortality rate (around 10%), with major factors including insufficient medical attention and late diagnoses resulting from limited access to healthcare.



Pesinet, launched in 2002 by Brussels-based Afrique Initiatives, is an early warning method for monitoring the health of children from low-income families. Mothers subscribe to Pesinet's services for a nominal fee, and a local representative weighs their children twice a week. Results are communicated to a local doctor, who reviews the weight chart and requests a visit if the weight readings are unusually low, often an indication that medical treatment is required. Launched as a non-profit venture in Senegal, the project initially proved financially unsustainable, but later used strategic partnerships and technical and financial improvements to successfully relaunch in Mali in 2007. To date Pesinet has enrolled 800 children.

Afrique Initiatives provided financial and technical support, with further donations coming from French local authorities. Two telecommunications companies, Alcatel-Lucent and Orange Mali, assisted with capacity building and equipment.

RMB and Nedbank

Country: South Africa

Type of enterprise: Large domestic companies

Sector(s): Financial services

Author(s): Farid Baddache

Type of institutional support: Incentives; Investment; Implementation support

Provision of decent housing for low-income-earners is a major concern in South Africa. Townships, or semi-informal settlements on the outskirts of cities, were neglected for decades under apartheid, resulting in chaotic development and inadequate infrastructure.

Two South African banks, Rand Merchant Bank (RMB) and Nedbank, have each developed innovative financial products targeted at South Africa's low-income housing market. Both projects, begun in 2007, conform to the Voluntary Financial Services Charter, a black economic empowerment strategy designed by the private sector with government support. RMB finances affordable housing programmes that favour social diversity in township areas. Nedbank makes mortgages available to a previously excluded market: people too poor to qualify for traditional housing loans



but above the government threshold for public housing support. Both programmes also offer financial training for clients. Nedbank, for example, educates new borrowers about home finance and the responsibilities of home ownership.

Financial support from the French Development Agency (AFD) enabled banks to overcome the main barrier to entry: risk related to lower-income households.

Safaricom M-Pesa

Country: Kenya

Type of companyType of enterprise: Foreign MNCs

Sector(s): ICTAgriculture

Author(s): Winifred N. Karuga & Triza Mwendwa

Type of institutional support: Investment; Incentives

In Kenya less than 7 percent of the population has a formal bank account. The costs of banking can be high and bank accounts are geared towards middle and high-income populations.

M-Pesa ('M' for mobile and *pesa* from the Swahili word for money) is an mobile money transfer system which was launched in Kenya in 2008 by Safaricom, a major local mobile network operator, in a bid to make financial services more accessible to low-income customers. Customers don't need to go to banks as deposits and withdrawals can be made using from virtual accounts at vendors shops, as well as outlets such as supermarkets and petrol stations. Even the smallest transactions –bill payments, purchase of goods or services or remittances – can be executed via text message at minimal cost. The system has proved hugely successful in Kenya, where it has over 15 million subscribers as well as in neighbouring Tanzania (over 7 million subscribers).

M-Pesa received initial funding from Vodafone Group Plc and the Department for International Development (DFID). The system also benefited from a favourable regulatory environment in Kenya, which offers flexibility in customer registration and the acquisition of new banking outlets.



Sanofi

Country: sub-Saharan Africa

Type of enterprise: Foreign MNC

Sector(s): Health care

Author(s): Robert Darko Osei

Type of institutional support: Information; Investment; Implementation support

An estimated 500,000 people were infected with sleeping sickness throughout sub-Saharan Africa in 2006. If left untreated this illness is nearly always fatal.

Sanofi-, the largest pharmaceutical company in Europe, partnered with the WHO in 2001 to fight sleeping sickness and other neglected diseases. Multiple actions – drug donations, subsidies to distribution programmes and R&D to improve treatment and diagnostics – combined to bring sleeping sickness under control. Since the partnership began, over 150,000 patients have been treated and the number of patients treated for sleeping sickness has dropped by over 60 percent. The number of reported new cases of the disease fell from 30,000 in 2001 to less than 10,000 in 2009. Doctors and other healthcare workers received training in diagnosis and treatment of the disease.

To date, Sanofi- has donated \$75 million to the sleeping sickness programme, which will run until 2016. Sleeping sickness has also gained increased political attention, most notably in 2005 when the African Union endorsed a resolution calling for the elimination of sleeping sickness in countries where it is endemic. This has sparked significant investment in research and development of new diagnostic and treatment options.

Tedcor

Country: South Africa

Type of enterprise: MSME



Sector(s): Waste

Author(s): Michael Goldman

Type of institutional support: Investment; Implementation support

Many slums in urban South Africa are under-serviced as a consequence of under-resourced local governments. Authorities have responded by privatising some services, including waste management.

Tedcor is a community-based for-profit refuse removal company, established to provide affordable service to neglected areas, while helping black entrepreneurs build their own businesses. Established in 1996 by businessman John Houghton, the company provides on-going financial and business support and certified training to community contractors, who become owner-drivers of waste-removal vehicles. Tedcor holds a 10 percent share of the subcontracted municipal waste management system in South Africa and has created waste management enterprises for 120 community contractors. In order to secure the necessary skills, Tedcor only partners with black entrepreneurs who have graduated from secondary school and provides extensive training in financial and business management.

Given the importance of affirmative action for businesses in South Africa, Tedcor's focus on assisting emerging black entrepreneurs has enabled it to obtain bank loans and waste removal trucks at preferential rates.

The Sustainable Healthcare Foundation

Country: Kenya

Type of enterprise: CSO

Sector(s): Health care

Author(s): Winifred Karugu

Type of institutional support: Implementation support

In Kenya, many people in slums and rural areas lack access to affordable medicines and basic healthcare, leading to suffering and death from afflictions like malaria and diarrhoea.



The Sustainable Healthcare Foundation, founded in 2000, operates for-profit micro-drugstores and clinics focussing on child and family wellness (CFW) in rural areas and urban slums. It operates as a franchisor, selecting franchisees (community health workers) and enforcing compliance with regulations while providing common branding, logistics network and training. CFW shops and clinics offer access to affordable health care while generating enough revenue to pay their nurse-owners and staff competitive salaries. With 66 franchise outlets in Kenya and a further 10 in Rwanda, the Foundation has served over three million people.

The Foundation supports franchisees with start-up finance, training and quality drugs, while handling government approval of new clinics and other regulatory requirements, and building relationships with the Ministry of Health. Community outreach is encouraged as it helps community members learn about services and also to voice their needs. The Foundation has worked with academic institutions to measure the impact of CFW on health in Kenya.

Tiviski Dairy

Country: Mauritania

Type of enterprise: MSME

Sector(s): Agriculture and forestry

Author(s): Mamadou Gaye

Type of institutional support: Investment; Implementation support

Herding is an important cultural tradition in Mauritania, where 3.5 million work as nomadic livestock herders. However, it is increasingly difficult to make a living this way.

Tiviski, founded by Nancy Abeiderrahmane in Mauritania in 1987, is Africa's first camel milk dairy. It now also processes cow and goat milk for domestic consumption. Although nomadic families have long drunk milk from their livestock, there was no packaged or processed fresh milk or fresh milk products available in urban grocery



shops. Tiviski sources its milk from semi-nomadic subsistence herders, enabling them to earn incomes while still maintaining a traditional lifestyle. Its milk products have replaced those imported from Europe, bolstering Mauritania's economy. Tiviski is now lobbying European countries to import camel products.

Tiviski began with an initial loan of €150,000 from the Caisse centrale de coopération économique. Cumulated investment in the dairy is an estimated €4 million and includes investment in a UHT plant that required a loan of €2 million (€500,000 from Proparco, €500,000 from the IFC and €1 million from local bank GBM).

ToughStuff

Country: Kenya

Type of enterprise: MSME

Sector(s): Energy

Author(s): Winifred N. Karuga and Diana W. Kimani

Type of institutional support: Implementation support

In Kenya 84 percent of the population has no access to grid electricity. This dramatically affects productivity, increases reliance on costly and environmentally harmful fossil fuels and exposes people to various health hazards, such as kerosene smoke.

ToughStuff East Africa, a subsidiary of ToughStuff International, is based in Kenya and seeks to provide clean, affordable energy to low-income earners in Kenya and other countries in East Africa. ToughStuff sells solar lamps, mobile phone chargers and batteries to low-income rural and urban consumers. Since launching operations in 2010, ToughStuff has carved out a significant stake in the solar product market in Kenya, one of the largest in Africa.

The rapid rollout of ToughStuff products has been facilitated by several partnerships. Micro-credit groups such as KREP, KADET and Faulu Kenya offer credit through loan officers so individuals can gain access to ToughStuff's products over an agreed repayment period. ToughStuff has also partnered with One Acre Fund to provide



farmers with lamp panels and phones chargers as well as seeds, fertiliser and other farming inputs which allow farmers to work longer and with fewer distractions.

Toyola

Country: Ghana

Type of enterprise: MSME

Sector(s): Energy

Author(s): Robert Darko Osei

Type of institutional support: Investment; Implementation support

In Ghana, 33 percent of households use charcoal stoves, which are not only expensive but also associated with significant health issues.

Toyola cook stoves are fitted with a ceramic liner to improve fuel efficiency by 50 percent. They are cleaner, more efficient and more durable than regular stoves, and sell for US\$7 each. Toyola started in 2006 and by 2011 it had produced 154 000 stoves, meeting the cooking needs of 940 000 low-income earners, mostly in rural areas. The company has provided training and employment for over 300 artisans nationwide along its entire value chain. To increase affordability, Toyola offers customers the option to buy on credit and pay back the loan over two months using money saved on charcoal. Toyola's stoves are now also sold in Togo and Burkina Faso.

The founders, Ghanaian entrepreneurs Suraj Wahab and Ernest Kyei, were part of a group of artisans trained to produce fuel-efficient stoves by EnterpriseWorks Ghana in 2002 under a USAID-sponsored programme. Kumasi Institute of Technology and Environment offered advice on the business model and E+Co provided the company's initial loan, enabling it to buy its first truck. A further loan from the UNEP's AREED programme which has allowed the company to expand.

VidaGás

Country: Mozambique



Type of enterprise: CSO

Sector(s): Energy

Author(s): Courtenay Sprague

Type of institutional support: Investment; Implementation support

In Mozambique, a country with three doctors for every 100,000 people, there is an urgent need for initiatives that expand the reach of health services to rural communities. In northern Mozambique, a major challenge for health clinics is a lack of reliable fuel to provide light for medical operations and refrigerate vaccines.

A pilot project aimed at extending these fuel services was launched in 2002. Partners in this initiative include Graça Machel, a former Minister of Education dedicated to children's health; VillageReach, a Seattle-based NGO delivering health supplies; Mozambique's Ministry of Health; and Fundação para o Desenvolvimento da Comunidade (FDC), a community foundation familiar with local development needs. VillageReach and FDC introduced an improved cold chain and replaced decrepit kerosene refrigerators in remote health facilities with liquefied petroleum gas (LPG)–powered refrigerators. Over 350 tons of LPG were delivered in 2011 and the company now operates in all four northern provinces of Mozambique. Healthcare training and supervision is provided for all staff.

Funding was initially raised by local sources in Seattle, with larger partners emerging as the project grew, including the Hunter Foundation of Scotland and the Dutch government's bilateral organization.



Useful resources

There are a wide range of institutions supporting companies and entrepreneurs in their efforts to work with low-income people as business partners. The case studies, interviews and surveys conducted for this report as well as the Practitioner Hub's database inform the following list of institutions engaged in the four areas of the Inclusive Business Diamond: incentives, information, investment and implementation support. This list aims to provide leads for enterprises in search of support. However, it is by no means exhaustive. In particular, support institutions on the national level are not included.

INCENTIVES

Incentives help drive business in Africa by setting policies and standards that create a more conducive business environment, reward business with low-income consumers, and empower low-income people to participate in markets.

African Cashew Initiative

Multi-stakeholder initiative to set and help implement a standard for the sustainable production of Cashew nuts.

www.aci.org

Alliance for Green Revolution in Africa

AGRA's programmes focus on development in the agriculture sector by providing improved seeds, encouraging soil fertility, increasing market access and facilitating partnerships.

www.agra-alliance.org/

The Comprehensive Africa Agriculture Development Platform

An African-owned and African-led initiative to boost agricultural productivity in Africa.



www.nepad-caadp.net/

Competitive African Cotton Initiative (COMPACI)

Promotes improvements in cotton production in sub-Saharan Africa in compliance with ecological, economic and social sustainability criteria.

www.compaci.org

Donor Committee for Enterprise Development

Promotes economic opportunity and self-reliance through private-sector development in developing countries.

www.enterprise-development.org/

Fairtrade International

A network of 25 organisations that sets international fairtrade standards and supports fairtrade farmers.

www.fairtrade.net

Gold Standard

A certification scheme that mobilizes funds for high-impact carbon offset projects.

www.cdmgoldstandard.org/

Grow Africa

Partnership platform that seeks to accelerate investment and transformative change in African agriculture based on national agricultural priorities.

www.growafrica.com



The International Federation of Organic Agriculture Movements (IFOAM):

The worldwide umbrella organization for the organic movement, uniting more than 750 member organizations in 116 countries. IFOAM formulated the IFOAM Basic Standards (IBS), on the basis of which public and private standard-setting bodies can develop more specific organic standards.

www.ifoam.org

Lighting Africa

Developed a product quality assurance programme for lighting products.

www.lightingafrica.org/

Making Finance Work for Africa

An initiative to support the development of African financial sectors through the coordination of financial sector development interventions across the continent so as to avoid duplication and maximize developmental impact.

www.mfw4a.org

Nepad Business Foundation

A membership-based foundation that promotes sustainable economic and social development throughout the African continent.

www.nepadbusinessfoundation.org/

Rainforest Alliance

An international NGO certifying farms that meet certain social, economic and environmental criteria for sustainability.

www.rainforest-alliance.org



SA (Social Accountability) 8000:

An international standard to promote workers' rights and to enable employers to sustainably implement a systems-based approach to ensuring decent work and working conditions.

www.sa8000.org

Sustainable Commodity Initiative (SCI)

A joint initiative by the International Institute for Sustainable Development (IISD) and the United Nations Conference on Trade and Development (UNCTAD), aiming to ensure that sustainable practices are adopted in commodity production and trade worldwide.

www.sustainablecommodities.org

Sustainable Trade Initiative

Convenes coalitions of leading companies, civil society organizations and governments with the aim of boosting sustainable production and consumption worldwide; goals include poverty reduction, safeguarding the environment and spreading fair and transparent trade practices.

www.idhsustainabletrade.com

UTZ Certified

Certification for sustainable farming practices. Enables farmers to learn better farming methods, improve working conditions and protect the environment.

www.utzcertified.org

INFORMATION



The following institutions contribute to the pool of knowledge on inclusive business by collecting data, conducting research and engaging in advocacy. These institutions can be valuable partners in acquiring the knowledge needed to enter markets.

Advocacy

Advocacy involves the promotion of inclusive business to all societal stakeholders. It often involves activities that open dialogue with policymakers and inform the decisions made.

African Women in Business Initiative

Aims to aid African women entrepreneurs in developing SMEs through better access to finance.

www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-women-in-business-initiative/

Ashoka

Provides both financial and professional support to individual social entrepreneurs developing inclusive business models.

www.ashoka.org

Aspen Network of Development Entrepreneurs

A global network of organizations that invest money and expertise to propel entrepreneurship in emerging markets.

www.aspeninstitute.org/policy-work/aspen-network-development-entrepreneurs

Business Action for Africa



A network of business and development partners that promotes African development through advocacy, and by creating partnerships and facilitating knowledge-sharing.

www.businessactionforafrica.org

Centre for Enterprise Development

A South African-based research and advocacy organization that formulates policy proposals for the national government derived from on-the-ground experience.

www.cde.org.za

Global Development Alliance

A market-based business model for partnerships between the public and private sectors to address jointly defined business and development objectives.

<http://idea.usaid.gov/organization/gp>

Global Impact Investing Network

A not-for-profit organization dedicated to increasing the scale and effectiveness of impact investing.

www.globalimpactinvestingnetwork.org

Initiative for Responsible Development

A Harvard University initiative that engages in applied research on responsible investment targeting long-term value for investors and society.

www.hks.harvard.edu/hauser/iri/

International Business Leaders Forum



An independent global members association that advocates and promotes business leadership in corporate responsibility and development across multiple sectors, markets and issues.

www.iblf.org/en/programmes/inclusive-growth/inclusive-business-models.aspx

Schwab Foundation for Social Entrepreneurship

Provides platforms at the regional and global levels to highlight and advance leading models of sustainable social innovation.

www.schwabfound.org/sf/index.htm

World Business Council for Sustainable Development (WBCSD)

A CEO-led organization of companies that cultivates strong relationships with stakeholders and drives policy change in favor of sustainable development solutions.

www.wbcsd.org/

World Economic Forum – New Vision for Agriculture

Involving public and private actors, the platform aims to develop a shared action agenda and foster multi-stakeholder collaboration to achieve sustainable agricultural growth through market-based solutions.

www.weforum.org/issues/agriculture-and-food-security

Awards

Awards showcase transferable best practices, providing access to effective solutions and lessons learned.

Ashden Awards



Promote environmentally friendly energy solutions that reduce poverty and improve people's lives. Ashden Awards support energy pioneers in developing their work.

www.ashdenawards.org/

The BiD Network

This network focuses on high-growth SMEs, and hosts a web platform to facilitate business plan competitions, tools for community building and coaching.

www.bidnetwork.org/

G20 Challenge on Inclusive Business Innovation

A global competition for businesses with innovative, scalable and commercially viable ways of working with low-income people in developing countries.

www.g20challenge.com/

SEED Awards for Entrepreneurship in Sustainable Development

Supports innovative small-scale and locally driven entrepreneurships around the world that integrate social and environmental benefits into their business model.

www.seedinit.org/

World Business and Development Awards

Organized by the International Chamber of Commerce and UNDP, this award recognizes business contributions to development.

<http://www.iccwbo.org/training-and-events/competitions-and-awards/institute-of-world-business-law/world-business-and-development-awards/>

Inclusive business research institutions



Research on inclusive business generates valuable insights on challenges, good solutions, effective business models, scaling and replication.

BoP Knowledge Network

A non-profit organization that facilitates the development of inclusive innovations in base of the pyramid (BoP) markets.

www.bopinc.org/

BOP Learning Lab Southern Africa

Provides knowledge-sharing opportunities on inclusive business in Africa.

www.bop.org.za/BOP_Lab/Home.html

Business Call to Action

Provides a platform with opportunities to share expertise, knowledge and best practices for market-based approaches to development.

www.bcta-initiative.org/

Business for Development Pathfinder

Works with business associations and CSOs to promote inclusive business in Africa; provides performance measuring and practical support to companies interested in inclusive business.

www.b4dpathfinder.org

Business Fights Poverty

A network of business and development professionals that provides peer-to-peer engagement and knowledge-sharing in inclusive business.

www.businessfightspoverty.org/



Center for Sustainable Global Enterprise (Cornell)

Engages in collaborative applied research and company-sponsored projects focused on inclusive business strategy formulation and implementation.

www.johnson.cornell.edu/Center-for-Sustainable-Global-Enterprise.aspx

Consultative Group to Assist the Poor

Independent policy and research centre comprised of 33 development agencies and private foundations dedicated to advancing financial access for the world's poor.

www.cgap.org/

Endeva

Research and consulting institute dedicated to inclusive business, with general as well as sector-specific (e.g., agribusiness, microinsurance, energy, pharma) information on inclusive business models.

www.endeva.org

Gordon Institute of Business Science (GIBS)

Business school in South Africa conducting research and leadership dialogues on inclusive business.

www.gibs.co.za

Harvard CSR Initiative

Seeks to study and enhance the effectiveness of corporate social responsibility through research, dialogues, workshops, education and outreach.

www.hks.harvard.edu/m-rcbg/CSRI/



Intellectap

Provides innovative business solutions that help build and scale profitable and sustainable enterprises dedicated to social and environmental change.

www.intellecap.com/

The LSE Co-Creation Lab

A partnership between leading scholars, NGOs, social entrepreneurs and companies seeking to reduce poverty through successful business model innovation.

www.icclab.com/

Monitor Inclusive Markets

A specialized business unit within Monitor Group focused on identifying, developing, and catalysing investment in inclusive markets; recently acquired by Deloitte.

www.mim.monitor.com/

Next Billion

An online platform serving as a discussion forum, knowledge base and networking site for individuals and organizations interested in inclusive business.

www.nextbillion.net/

ODI Private Sector and Markets

Conducts research into the development impact of business, government policy and the business environment, and examines economic incentives for improving impact

www.odi.org.uk/work/programmes/business-development/

Reciprocity



South African consultancy specializing in inclusive business models; also helps with implementation and market research.

www.reciprocity.co.za

UNDP African Facility for Inclusive Markets

A regional UNDP programme that supports the development of inclusive, pro-poor markets across Africa.

www.undp.org/africa./privatesector

UNDP Growing Inclusive Markets

A research and advocacy initiative that seeks to understand, enable and inspire the development of more inclusive business models.

www.growinginclusivemarkets.org/

Market research

Solid information on low-income markets is rare, making the following firms that specialize in market research important partners.

Consumer Insight Ltd

A Nairobi-based market research company specializing in African markets.

www.ciafrica.com/oindex/

Field Africa

A South Africa-based agency that conducts market research in countries across Africa.

www.fieldafrica.com



FinScope

A FinMark Trust initiative that provides nationally representative studies of consumer perceptions on financial services and issues, providing insight into consumption patterns and financial management.

www.finscope.co.za/new/pages/default.aspx

Initiative for Global Development

A member-based network that facilitates business connections and provides market insights in sector-focused interest groups.

www.igdleaders.org/

Jana

Market research company that connects brands with consumers in emerging markets through mobile airtime incentives.

www.jana.com/

Research Africa

Based in Uganda and the Netherlands, Research Africa is a market research agency focused on social impact.

www.researchafrica.com

INVESTMENT

The following institutions help fuel business by providing capital and impact investments that are suited to the unique needs of inclusive business models.



Challenge funds

Challenge funds are financing mechanisms that rely on proposals submitted by organizations in allocating funds for a specific area.

Africa Enterprise Challenge Fund

AECF is a challenge fund that supports new and innovative business models in Africa through competitive grants (US\$50m–US\$100m) to private sector companies.

www.aecfafrica.org/

COOPAfrica Challenge Fund

The COOPAfrica Challenge Fund offers grants for cooperatives, cooperative apex organizations and other cooperative support agencies.

www.ilo.org/public/english/employment/ent/coop/africa/areas/challenge.htm

Youth-to-Youth Fund

A fund for youth organizations provided by the Youth Employment Network, a joint initiative by the ILO, UN and World Bank. Funding is designed to support young entrepreneurs in setting up their own businesses.

www.ilo.org/public/english/employment/yen/whatwedo/projects/y2y/y2y.htm

Development finance institutions (DFIs)

DFIs encompass a range of institutions, including loan funds and micro-finance institutions, which provide financing to the private sector for investments that facilitate development.



African Development Bank

Provides loans, grants and technical assistance to private companies investing in regional member countries.

www.afdb.org

CDC

Aiming to fight poverty by helping build business, the United Kingdom's DFI provides debt and equity capital, directly and through intermediaries, to businesses in Africa and South Asia.

www.cdcgroup.com/

Development Bank of Southern Africa

A development finance institution that fosters sustainable socio-economic development by funding physical, social and economic infrastructures.

www.dbsa.org

DEG

Finances private-sector investments, such as long-term debt instruments, equity, mezzanine finance and guarantees, that improve living conditions in developing countries.

www.deginvest.de/EN_Home/About_DEG/index.jsp

ECOWAS Bank for Investment and Development

EBID is a development finance institution focused on West Africa.

www.bidc-ebid.org/en/index.php

Finance for Development



A Netherlands-based entrepreneurial development bank offering equity, loans or guarantees to companies, projects and financial institutions in developing markets.

www.fmo.nl/

Industrial Development Corporation

A national development finance institution set up to promote economic growth and industrial development in all of Africa. Owned by the South African government, the Industrial Development Corporation is under the supervision of the Economic Development ministry.

www.idc.co.za/

International Finance Corporation (IFC)

Private-sector arm of the World Bank, providing financing mainly to medium-sized and large enterprises.

www.ifc.org

Norfund

The Norwegian Investment Fund for Developing Countries is an investment company that establishes and fosters profitable, sustainable enterprises in developing countries able to generate economic growth and reduce poverty.

www.norfund.no/

PROPARCO

A French DFI that invests in emerging and developing countries as well as geographical areas in the southern hemisphere.

www.proparco.fr/lang/en/Accueil_PROPARCO



USAID Development Credit Authority

Facilitates access to financing for smallholder farmers and SMEs participating in inclusive business models through partial credit guarantees covering up to 50 percent of defaults on loans made by private financial institutions.

www.usaid.gov/our_work/economic_growth_and_trade/development_credit/

Grant-making institutions

Grants can provide essential capital at several stages of the business model and are often used to fund a specific project.

African Grantmakers Affinity Group

Promotes increased and more effective grant-making in Africa; provides a forum where foundations can network, share information on grant-making and build new information resources.

www.africagrantmakers.org

Bill & Melinda Gates Foundation

Supports inclusive business development through grants and partnerships.
www.gatesfoundation.org

Innovations Against Poverty

Provides grants, financial guarantees and technical assistance to small and large companies, helping them pilot and scale their inclusive business models.

<http://businessinnovationfacility.org/page/about-us-about-innovations-against-poverty>

Rockefeller Foundation



A major foundation that conducts research and provides grants for development initiatives, including those involving impact investing and the creation of an enabling environment for innovation.

www.rockefellerfoundation.org/

Skoll Foundation

A foundation that supports social entrepreneurship, supporting initiatives through financing and partnerships.

www.skollfoundation.org/

The Small Enterprise Foundation

The Small Enterprise Foundation is a not-for-profit micro-finance institution that grants micro-loans to existing, but marginal, micro-enterprises.

<http://www.sef.co.za/>

Tony Elumelu Foundation

Provides start-up funding (debt and equity), supports business development services to help entrepreneurs craft their ideas into bankable projects, and facilitates the creation of financially sustainable operations under strong management.

www.tonyelumelufoundation.org/

UNCDF

The UN's capital investment agency for the world's 49 least developed countries creates new opportunities for poor people and their small businesses by increasing access to microfinance and investment capital.

www.uncdf.org



United States African Development Foundation

USADF provides grants of up to US\$250,000 to community groups and small enterprises that benefit under served and marginalized groups in Africa.

www.adf.gov/

Impact investment funds

The following inclusive business-minded investment funds often specialize in a geographical area, sector, or size of business.

Acumen Fund

Makes debt and equity investments in early-stage enterprises providing low-income consumers with affordable access to healthcare, water, housing, energy, or agricultural inputs.

www.acumenfund.org/

African Agricultural Capital

Invests in commercially viable small and medium-sized agricultural enterprises with high potential to improve the livelihoods of East African smallholder farmers.

www.aac.co.ke/web/

Agri-Vie

A private equity investment fund focused on food and agribusiness in sub-Saharan Africa.

www.agrivie.com/

The Calvert Social Impact Foundation



Provides affordable loans to finance the growth of non-profits, micro-finance institutions, fair trade coffee cooperatives and social enterprises.

www.calvertfoundation.org/

Developing World Markets

An asset manager and investment bank dedicated to promoting sustainable economic and social development on a global scale.

www.dwmarkets.com/

E + Co

E+Co makes clean energy investments in developing countries, focusing on start-ups and SMEs that provide lasting solutions to climate change and poverty.

www.eandco.net

Emerging Africa Infrastructure Fund

A debt fund that provides long-term denominated debt or mezzanine finance on commercial terms to finance the construction and development of private infrastructure.

www.emergingafricafund.com/

Grassroots Business Fund

A hybrid non-profit/for-profit model, partnering with businesses to provide them with both long-term investment capital and business advisory services needed to overcome challenges.

www.gbfund.org

Leapfrog Investments



A profit-with-purpose fund that invests in businesses focused on financial services for the emerging consumer in Asia and Africa.

www.leapfroginvest.com/

LGT Venture Philanthropy

LGT Venture Philanthropy is an impact investor supporting organizations with outstanding social and environmental impact.

www.lgtvp.com/

Lundin Foundation

A foundation that invests, both directly and through intermediaries, in African SMEs developing inclusive business models.

www.lundinfoundation.org/s/home.asp

Root Capital

A non-profit social investment fund that generates rural prosperity in poor, environmentally vulnerable regions of Africa and Latin America by lending capital, delivering financial training, and strengthening market connections for small and growing agricultural businesses.

www.rootcapital.org/

Small Enterprise Assistance Fund

A private enterprise that invests in early-stage businesses in underserved markets.

www.seaf.com/

Soros Economic Development Fund



A foundation that supports economic development by investing in sustainable businesses or initiatives that strive to alleviate poverty by creating jobs and revitalizing deteriorating communities.

www.sedfny.org

TLG Capital

Niche financier of indigenous growth-capital in frontier markets, in particular sub-Saharan Africa, investing in profitable enterprises with a socially beneficial impact.

www.tlgcapital.com/home/

Private equity firms and fund managers

These investment managers raise pools of capital and typically make investments that target a specific area, in this case inclusive business.

Actis

A private equity firm that invests in emerging markets and offers three asset classes: private equity, infrastructure and real estate.

www.act.is/

Adlevo Capital

Makes equity and equity-linked investments in private companies in sub-Saharan Africa with a focus on technology-enabled business models yielding positive social development outcomes.

www.adlevocapital.com

Advanced Finance & Investment Group



An Africa-focused private equity fund management company that mobilizes local capital in investment vehicles managed by African private equity professionals with an emphasis on value addition beyond financial contributions.

www.afigfunds.com/

Aureos

An emerging market private equity firm providing growth capital in several main investment sectors, including financial services, general services, construction and engineering, manufacturing, FMCG and TMT (telecoms/media/IT).

www.aureos.com/

Developing Partners International

A private equity firm that invests in newly liberalizing and post-conflict economies in Africa.

www.dpi-llp.com/

Emerging Capital Partners

An Africa-focused private equity firm that invests in companies operating in business environments characterized by limited competition, or in sectors where Africa has either a comparative advantage or an unmet need.

www.ecpinvestments.com/

Ethos

A private equity firm that makes long-term investments in medium-to-large businesses in South Africa and, selectively, in sub-Saharan Africa.

www.ethos.co.za/live/index.php



GroFin

GroFin is a specialist SME finance and development company offering a combination of risk capital and business development assistance to viable enterprises in Africa and the Middle East.

www.grofin.com/

Jacana

A pan-African private equity company that invests in entrepreneurs, builds successful SMEs, and delivers sustainable financial and social returns.

www.jacanapartners.com/

IMPLEMENTATION SUPPORT

Implementation involves turning business ideas into reality. The following institutions help launch models by offering well-rounded services that include advisory services, logistics support, capacity building, and links to finance.

Accenture Development Partnerships

Strengthens organizations and builds emerging markets from within by employing a not-for-profit model that makes Accenture's core skills and assets accessible to the international development sector.

www.accenture.com/us-en/consulting/international-development/Pages/index.aspx

AgDevCo

Invests "social venture capital" to create commercially viable agribusiness investment opportunities in sub-Saharan Africa.

www.agdevco.com

Agri-ProFocus



A partnership with Dutch roots that promotes smallholder entrepreneurship in developing countries.□

www.agri-profocus.nl

The Business Place

Aims to promote entrepreneurship and the creation of sustainable businesses in Southern Africa.

www.tbp.co.za

Business Growth Initiative

Provides both direct and indirect assistance through project designs, project evaluations, research, technical briefs, workshops and seminars, and pilot demonstration projects.

bgi.usaidallnet.gov/

Business Innovation Facility

Operates “Practitioner’s Hub”, an online platform for sharing inclusive business-related information and supporting companies in developing or scaling-up innovative inclusive business models.

www.businessinnovationfacility.ning.com/

CNFA

CNFA’s mission is to stimulate economic growth and improve rural livelihoods in the developing world by empowering the private sector.

www.cnfa.org

Develop.PPP



This multilateral initiative supports partnerships between companies and development agencies in support of inclusive business.

www.developpp.de/en/index.html

Development Alternatives International

An international development consultancy that serves the private sector and non-profit foundations through social strategy development, public-private partnerships, market insight and development, and local supplier development.

www.dai.com/

Engineers Against Poverty

Engineers Against Poverty is a specialist NGO working in the field of engineering and international development.

www.engineersagainstpoverity.org/

Enterprise Development Work

Brings together the resources essential to attract capital (debt and equity) and political risk insurance for SMEs pursuing business opportunities in developing countries.

www.ednaccess.com/

Imani Development

A group of private, employee-owned economic and development consultancy firms offering a range of services for policymakers and the private sector, specializing in trade, private-sector development, economic growth and regional integration.

www.imanidevelopment.com/



Innovations for Poverty Action

Support the application of randomized controlled trials (RCTs) for product development etc.

www.poverty-action.org

International Development Enterprise (IDE)

Non-profit development organisation supporting market-driven projects and technologies such as irrigation, drinking water supply, and post-harvest processing.

www.ideorg.org

Oxfam International

International NGO focusing on food security and agriculture, often working in collaboration with the private sector. □

www.oxfam.org

Phytotrade

A non-profit, membership-based organization that connects African farmers to international markets and provides members advice, training, assistance with certification, and networking opportunities.

www.phytotradeafrica.com/

Practical Action

International NGO that uses technology to address poverty issues, often working in collaboration with the private sector.

www.practicalaction.org

Private Enterprise Partnership Africa



This IFC initiative works in partnership with multilateral agencies, governments and the private sector to deliver programmes and advisory services that improve the investment climate, mobilize private sector investment, and enhance the competitiveness of private enterprises in Africa.

www.ifc.org/africa

SNV

A non-profit international development agency that provides advisory, knowledge exchange and advocacy services to donor clients.

www.snvworld.org/

Technoserve

Technoserve is a non-profit organization that develops business solutions to poverty by linking people to information, capital and markets.

<http://www.technoserve.org/>

Total Impact Advisors

An advisory practice that specializes in sourcing and developing global investment opportunities that are socially and financially attractive.

www.totalimpactadvisors.com/

UNDP Inclusive Market Development

Derived from the UNDP's Growing Sustainable Business initiative, the inclusive market development approach works with companies on their core business while promoting development objectives.

www.undp.org/content/undp/en/home/ourwork/partners/private_sector/IMD/





Further reading

The literature on inclusive business in general and on development in the continent of Africa is vast. The list below provides some key references for further reading. A few publications also focus specifically on inclusive business in sub-Saharan Africa.

Online publications are cited only with the author(s), year and title. To find these publications, the name of the source document simply has to be entered in a standard search engine.

Inclusive Business in Africa

Michael Sudarkasa (2011)

Inclusive Business Finance Field Guide 2012: A Handbook on Mobilizing Finance and Investment for MSMEs in Africa

UNDP African Facility for Inclusive Markets

A field guide on mobilizing inclusive business finance from finance institutions that fund MSMEs

Monitor Inclusive Markets (2011)

Promise and Progress: Market-Based Solutions to Poverty in Africa

Monitor Group

A comprehensive analysis of financially sustainable enterprises addressing the challenges of poverty on the African continent

UNDP (2012)

The Roles and Opportunities for the Private Sector in Africa's Agro-Food Industry

UNDP African Facility for Inclusive Markets

Identifies private sector opportunities in Africa's agro-food industry

Development in Africa

AfDB, AUC, UNDP and UNECA (2012)

MDG Report 2012: Assessing Progress in Africa toward the Millennium Development Goals

Tracks progress in Africa towards the MDGs; discusses the post-2015 development agenda and how to best incorporate lessons learned from the current MDGs

AfDB, OECD, UNDP, and UNECA (2012)

African Economic Outlook

An annual report that monitors economic, social and political developments on the African continent; the 2012 theme was promoting youth employment



McKinsey Global Institute (2010)

Lions on the move: The progress and potential of African economies

McKinsey Global Institute

Investigates the causes of African growth acceleration and identifies economic opportunities for businesses

Roland Berger Strategy Consultants

(2012)

Inside Africa

Roland Berger Strategy Consultants

Sector-by-sector analysis including growth prospects and opportunities

UNDP (2012)

Africa Human Development Report 2012 - Towards a Food Secure Future

An annual report on human development in Africa

Inclusive Business

Monitor Inclusive Markets (2009)

Emerging Markets, Emerging Models

Monitor Group

Report analyzing the behaviors, economics and business models of market-based solutions that address the challenges of global poverty

Christina Gradl and Claudia Knobloch (2010)

Inclusive Business Guide

Endeva

A primer providing an overview of how to develop an inclusive business model and how companies can engage more fully in low-income markets

Christina Gradl and Beth Jenkins (2011)

Tackling Barriers to Scale

Harvard Kennedy School, CSR Initiative

A framework describing inclusive business ecosystems and three structures companies can use to effectively strengthen and work within them

Prahalad, C.K. and Stuart L. Hart (2002)

The Fortune at the Bottom of the Pyramid. *Strategy + Business* 26, no. 1st quarter (2002): 14.

Argues in favour of a business and profit-oriented approach to fighting poverty

UNDP (2008)

Creating Value for All: Strategies for Doing Business with the Poor

Identifies constraints and potential solutions for inclusive business ventures on the basis of 50 case studies



UNDP (2010)

The MDGs – Everyone's Business

Provides a guide to institutions that support inclusive business through policy-making, research and advocacy, financing and complementary capabilities by MDG

WRI (2007)

The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid

Measures market opportunity of BoP markets by sector and country using quantitative assessments



Acknowledgements

We would like to thank the many contributors to this report.

Advisory Board

The guidance and insights provided by Advisory Board members have been invaluable to the initiative and to this report. Advisory Board members include:

- Caroline Ashley, Director, Ashley Insight Ltd
- Martin Bwalya, Head, Comprehensive Africa Agriculture Development Programme (CAADP)
- Lynette Chen CEO, New Partnership for Africa's Development (NEPAD) Business Foundation
- Dr. Issa Faye, Manager Development Research Division, African Development Bank (AfDB)
- Djamel Ghrib, Head of Division Priv. Sect. Investment & Resource Mobilization, African Union Commission (AUC)
- Tashmia Ismail, Senior lecturer and BoP Hub manager, Gordon Institute of Business Studies (GIBS)
- Ullrich Klins, Coordinator for research and development: B4D Pathfinder, Southern Africa Trust
- Dr. Augustine Langyintuo, Head Policy and Partnerships, Alliance for a Green Revolution in Africa (AGRA)
- Futhi Mtoba, President, Business Unity South Africa (BUSA)
- Lucy Muchoki, CEO, Pan African Agribusiness & Agro-Industry Consortium (PAANAC)
- Fred Ogana, Country Director Kenya, TechnoServe
- Zahid Torres-Rahman, Founding Director, Business Fights Poverty

oikos UNDP Young Scholars Development Academy

Participants of the oikos UNDP Young Scholar Development Academy, held in Nairobi from August 12 to 17, 2012, contributed ideas and recommendations for the report during a consultation.



Case study authors

Case studies on inclusive businesses in sub-Saharan Africa have been developed through several GIM research initiatives. Twenty-eight were developed in the course of research projects conducted in 2008 and 2010, and 15 new case studies have been developed for this report. We would like to thank the following authors for their contributions:

- Joana de Catheu, Ecole Supérieure des Sciences Économiques et Commerciales (France)
- Olayinka David-West, Lagos Business School, Pan-African University (Nigeria)
- Mamadou Gaye, African Institute of Management, Dakar (Senegal)
- Michael Goldman, Gordon Institute of Business Science (South Africa)
- Eria Hisali, Makerere University (Uganda)
- Yarri Kamara, Initiatives Conseil International (Burkina Faso)
- Diane Nduta Kanyagia, Kenya
- Winifred Karugu, Jomo Kenyatta University of Agriculture and Technology (Kenya)
- Andrea Lozano, Consultant at Aligned Strategies (USA)
- Triza Mwenda, Kenya
- Ousmane Moreau, Senegal
- Oluwemimo Oluwasola, Obafemi Awolowo University (Nigeria)
- Robert D. Osei, University of Ghana (Ghana)
- Tofik Siraj Fite, Jimma University (Ethiopia)
- Courtenay Sprague, University of the Witwatersrand (South Africa)
- Alfred K. Tarway-Twalla, University of Liberia (Liberia)

Interview partners

We would like to thank all experts and practitioners who contributed their time and insight:

- Sarah Abdulhafiz Yusuf, ICE Addis



- Olidapupo Adeoye, Tony Elumelu Foundation
- Daniel Annarose, Manobi
- Jay Banjade, CARE international Ethiopia
- Gib Bulloch, Accenture
- Gerhard Coetzee, ABSA
- Andre Dellevoet, African Enterprise Challenge Fund
- Valentina Douala, Pan African Business Coalition (PABC) on HIV/AIDS
- Liban Egal, First Somalia Bank
- Arnold Ekpe, Ecobank
- John Fay, Shared Value Africa
- Johannes Flosbach, Roland Berger
- Lamira Hatifa, CSI +
- Nina Henning, Johnson and Johnson
- Chris Isaac, AgDevCO
- Nicola Jowel, SAB Miller
- Oscar Kimani, Business Mind Africa
- Anja Koenig, Reform Consulting
- Julia Kurnia, Zidisha
- Ufukile Kumalo, IDC
- Daniel Mobley, Standard Chartered Bank
- Richard Morgan, Anglo American
- James Mwangi, Equity Bank
- Ini Onuk, Thistle Consulting
- Temitope Oshikoya, Ecobank
- Sagun Saxena, Cleanstar Ventures,
- Heinrich Schultz, Organimark
- Justin Smith, Woolworths
- Lyal White, Gordon Institute of Business Science
- Gerry Van Den Houten, SAB Miller

Report team



This report was carried out by the UNDP African Facility for Inclusive Markets (AFIM) and Growing Inclusive Markets (GIM), with external research support. The report was made possible by the UNDP Regional Bureau for Africa. We would like to thank its Chief Economist Pedro Conceicao and Policy Advisor Ayodele Odusola for their valuable support

The AFIM team, led by Tomas Sales, includes Tiina Turunen, Jürgen Nagler, Pascale Bonzom and Daniel Acquaye.

The GIM team, led by Sahba Sobhani, includes Suba Sivakumaran and Teerayut Teerasupaluck.

The teams were supported by the research and consulting institutes Endeava and Reciprocity. We would like to thank Christina Gradl and Pierre Coetzer as the principal co-authors as well as Aline Krämer, Nico Pascarel, Claudia Knobloch and Alyssa Rivera.



Realizing Africa's Wealth - Building Inclusive Businesses for Shared Prosperity

May 2013

Copyright © 2013 United Nations Development Programme One United Nations Plaza, New York, NY 10017, USA

The findings, interpretations and conclusions expressed in this study are those of the authors and should not be attributed to the United Nations Development Programme, to its affiliated organizations or to members of its Board of Executive Directors or the countries they represent. Moreover, the views expressed do not necessarily represent the decision or the stated policy of the United Nations Development Programme, nor does citing of trade names or commercial processes constitute endorsement.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form by any means, electronic, mechanical, photocopying or otherwise, without prior permission of the United Nations Development Programme.