



PROMOTING INCLUSIVE BUSINESS: "SEEKING OPPORTUNITY IN CRISIS"

Source: Alliance WBCSD-SNV¹

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SUMMARY:

- 1. The current economic and financial crisis has shown that business shares common aspirations with the government to achieve more inclusive and sustainable ways of development.** Although predictions vary as to how long the current recession lasts, but there is no doubt about the need of alliances in which it will be possible for businesses to be profitable while being socially and environmentally responsible.
- 2. During the last four years, the development sector has introduced the Bottom of the Pyramid (BoP) perspective to identify the low-income segments of society living on less than USD2 per day in developing countries.** This perspective acknowledges the important role of businesses as providers of solutions in the fight against poverty.
- 3. Inclusive business involves doing business with the bottom of the BoP across companies' value chains, incorporating them in the supply, production, distribution and marketing of goods and services.** This generates new jobs, income, technical skills and local capacity. Given that most economic activity now occurs in developing countries, and given that over 90% of population growth will happen there, those companies that master inclusive business could be those who realize great success in the coming decades.
- 4. Inclusive business investments need to generate a return.** It is a matter of combating poverty through business solutions – not philanthropy. It is not just about selling cheaper products to the poor, but rather about looking holistically at opportunities to productively engage in a long term relationship with the private sector.
- 5. Support from political leaders and the establishment of optimum framework conditions are crucial to succeed on inclusive business.** Doing business with the BoP require bold innovative strategies from the state and a close collaboration with small and medium-sized enterprises (SMEs), large firms, and civil society organisations, in order to prioritise key areas that, if addressed, could maximise the impact of development efforts while also reducing investment inflows.

¹ This paper contains information based on cases studies and publications developed by the alliance SNV-WBCSD. For more information, see the alliance website: www.inclusivebusiness.org

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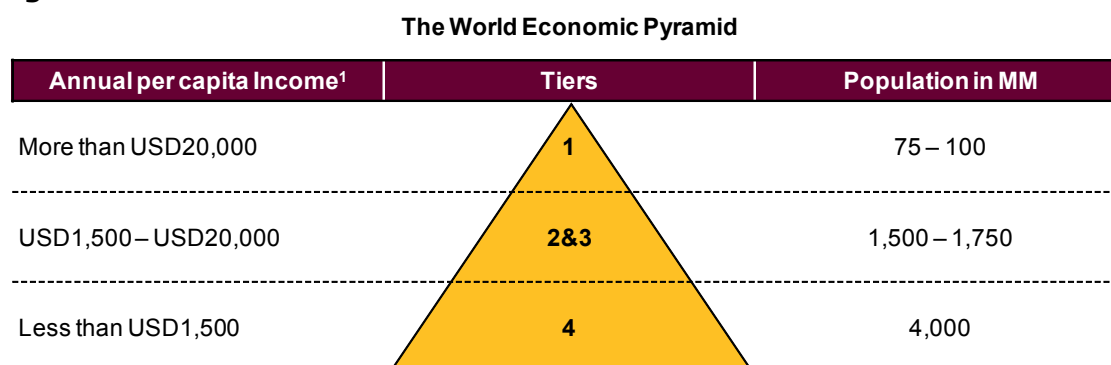
6. **In 2006, the World Business Council for Sustainable Development “WBCSD” and the Netherlands Development Organisation “SNV” joined forces to form the Alliance for Inclusive Business in Latin America.** The Alliance has reached out to 300 companies in these countries, and has generated 80 inclusive business ventures, now being implemented in areas such as agriculture, affordable housing, micro-insurance, mobile banking, forestry and biofuel, improving the lives of up to 400,000 people in the BoP by 2010. The WBCSD and SNV have begun expanding the uptake of inclusive business by starting activities in Asia and Africa. Projects have begun in Zimbabwe, Mozambique and **Vietnam**.
7. **In the converging global situation inclusive business represents an opportunity to jump-start a regional reorientation towards a more sustainable development path.** It will not just happen on its own with a couple of regional meetings. It requires both business and government to think differently and put people who have real power to influence the way their organisations act, and are prepared to hold each other accountable, into that developmental dialogue.
8. The pages that follow provide an insight in how the inclusive business approach delivers higher socio-economic value for communities, while simultaneously opening new avenues for growth for companies in times of crisis.

I. THE BOTTOM OF THE PYRAMID – BoP: AN OPPORTUNITY FOR ENTERPRISES TO FACE THE ECONOMIC CRISIS

A. The BoP Concept

1. **In recent years, use of the terms “base of the pyramid” and “bottom of the pyramid” have proliferated.** Technically, BoP is a socio-economic designation for the four billion people who live on less than USD1,500 (according to the purchasing power parity exchange rate) per capita income. The so-called Base of the Pyramid (BoP) Strategy involves the private sector in helping reduce poverty by serving these people in ways responsive to their needs, such as providing them with access to knowledge and technology.
2. **The BoP concept does not merely relegate the poor to the area of charity, philanthropy or social responsibility (CSR) initiatives.** It involves change in the functioning of companies as much as it changes the functioning of developing countries.

Figure 1:



Note: ¹ Based on purchasing power parity in USD

Source: UN World Development Reports; ‘Bottom of the Pyramid’-C.K. Prahalad; The Fortune at the Bottom of the Pyramid, C.K. Prahalad and Stuart L. Hart

- Tier 1: a cosmopolitan group, middle and upper-income people in developed countries and the few rich elites from the developing world
- Tiers 2 and 3: rising middle classes in developing countries who are traditionally the targets of companies emerging-market strategies
- Tier 4: BoP group, annual per capita income based on purchasing power parity in U.S. dollars is less than \$1,500, the minimum considered necessary to sustain a decent life.

B. Products and Services for the BoP: Challenges for Successful Business Linkages with the poor

- 1. The BoP strategy is focused not only on lowering price points for existing products and services.** It is also about creating and offering customised products and services to the poor and buying from the local resource pool in order to help generate local income. The size of the BoP market is expected to expand at a faster rate than that at the top of the pyramid.
- 2. The “poor” do not represent a homogeneous group.** They encompass a wide range of resources, education levels, and socio-economic contexts. People’s needs and wants vary significantly according to region, culture and income level. Perhaps the greatest obstacle for companies willing to expand operations to the BoP is the lack of information about the poor. What goods could they produce and what services could they provide? What goods and services do they need? How much can they pay, etc?
- 3. Yet there are substantial challenges in establishing businesses in poorer countries.** Often, these countries suffer from inadequate framework conditions, such as legal, regulatory, and intellectual property systems. Infrastructure and services are often limited or non-existent, with underdeveloped networks for telecoms, power, water, and sanitation and only the most basic health and education systems.
- 4. Old and tired solutions cannot create markets at the BoP.** As presented below, products, services and commercial relationships focused on the BoP market require innovation, not simple adjustments. Some goals include:

In Products:

- To win customers among low-income populations: i.e. set a target of making 10% of the company’s sales among low-income segments in a year, which depends on finding new ways of doing business with new customers
- To develop simple, customised, and affordable products: i.e. include low-cost mobile phones and a low-cost, portable alternative to the PC developed by IT experts in India
- To source their products among poor communities to promote enterprise as well as create labour and brand visibility: i.e. encourage rural women to spread awareness about food products, generating income, living conditions, and enhancing the distribution network at a low cost (SNV-Nestle, 2008)

In Markets:

- i. To help to build supply chains by supporting small and medium-sized companies seeking to become suppliers and distributors: i.e. expand the tea supply system of companies by including small farmers in their value chain (SNV-Hung Cuong Tea Company, 2009)
- ii. To achieve business wishes and purchasing power in poor areas through small loans, or micro-credit, which can transform the prospects of small enterprises

In Infrastructure:

- i. To build infrastructure such as solar electricity systems in cooperation with local governments and NGOs: i.e. follow the example of solar power provided by Shell, which benefits countries including the Philippines, India, Malaysia, Angola, Morocco, and Brazil

In Frameworks:

- i. To address flaws in legal systems or intellectual property rights: i.e. follow the lead of Philips, which is funding exchanges of intellectual property experts between Chinese and US or European universities.

II. SOCIAL AND ECONOMIC INCLUSION FOR THE BoP: THE INCLUSIVE BUSINESS APPROACH - IB

1. **There is more interest from corporations than even a decade or so ago in being involved in development, although most of this interest to date has been in philanthropy rather than social and economic inclusion per se.** Inclusion is a wider concept than pure philanthropy, as it involves working with local partners as well as the public institutions to create sustainable business models for the BoP.
2. **Some companies focus their efforts on the implementation of corporate social responsibility – CSR - strategies.** Nevertheless, companies that really create value for economic groups do not only include the BoP in their operations because they are socially responsible. They do so because these actions increase their competitiveness, reflected in their profits and in their reputation among society.
3. **In this context in 2006, the Netherlands Development Cooperation (SNV) and the World Business Council for Sustainable Development (WBCSD) pioneered the development of the Inclusive Business “IB” approach.** This is an innovative and profitable model that offers long-term assurances of sustainability (economic, social and environmental) for governments, the BoP and businesses.

A. What is Inclusive Business?

“Inclusive Business is an initiative that seeks to contribute towards poverty reduction by including the bottom of the pyramid “BoP” as consumers, suppliers, distributors or employees within the value chain of a company in

a win-win relationship”.³ This generates new jobs, income, technical skills and local capacity. Likewise, the BoP can benefit from products and services that meet their needs in affordable ways.

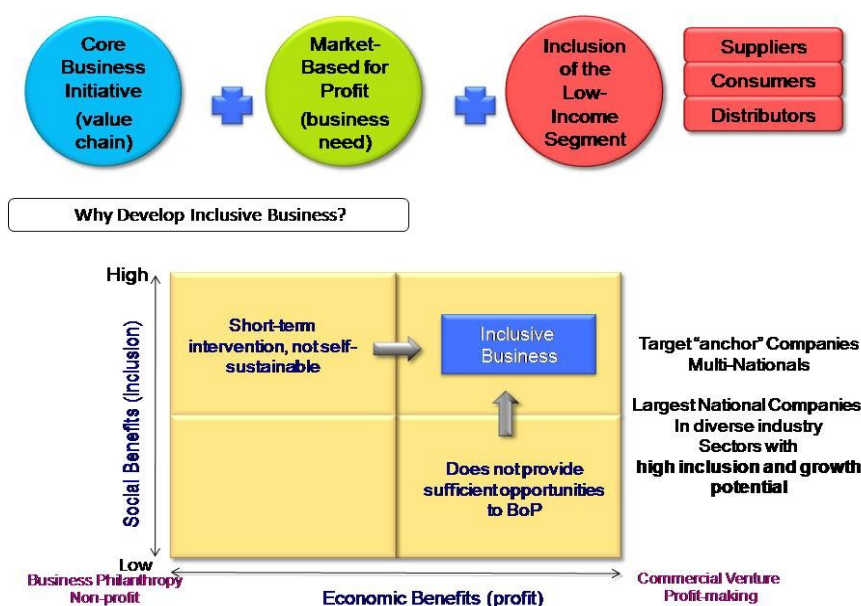
1. These initiatives are:

1. Economically profitable as well as environmentally and socially responsible
2. Integrally included in the firms’ core businesses, commanding senior management attention and sustained resource allocation.

2. Key drivers of IB strategy

- i. Effective public policy
- ii. Market-Based Solutions
- iii. Social Empowerment (Cohesion)

Figure 2: The Inclusive Business Approach



3. Core reasons to develop Inclusive Business

- i. Generate inclusive growth: if the private sector is the key driver of growth in emerging markets, there is an opportunity to make this growth inclusive and sustainable
- ii. Avoid limitations in traditional development: bottom-up and supply-side economic development approaches are often trapped in donor dynamics or depend on hope rather than mainstream business strategy to succeed

³ Inclusive Business Concept: SNV-LA, WBCSD, Business Councils in Latin America: www.inclusivebusiness.org

- iii. Drive innovation: develop new and innovative products, services and approaches that are inherently scalable and sustainable as core business strategies
- iv. Expand the labour pool: the BoP offers a large source of labour that can deliver high-quality products/services at competitive costs and unique expertise driven through local knowledge
- v. Strengthen value chains: companies can expand and diversify their supplier base to lower risks and increase flexibility
- vi. Enhance institutional relationships: several companies have expressed the importance of strong relationships with institutions and regulators

B. Inclusive Business Models

The BoP typically fills one or more of the following important roles in the value chain of companies: employee - new labour markets; producer - new sources of supply; distributor - new distribution networks; and/or consumer - new markets for affordable goods and services.

1. Examples⁴:

1.1 IB with BoP Suppliers:

- i. **Creating opportunities for poor tea farmers - Vietnam:** In Ha Giang-Vietnam, Hung Cuong Tea Company, a medium enterprise in alliance with the provincial government and SNV, implemented a supplier development programme combining the company's strategy to expand its network of local producers with the needs and opportunities presented by Ha Giang's huge base of small farmers. 700 tea producers now receive training, technical assistance, financing, market knowledge, prompt payment in fair conditions, and assistance in entrepreneurship development.
- ii. **Economically and socially responsible coffee - East Timor:** In 2000, the East Timor government invited Delta Cafés from Portugal to help resuscitate the country's moribund coffee industry. Delta has since successfully developed a "socially responsible" coffee brand, Delta Timor, creating competitive communities at the bottom of the supply chain, in the plantations of East Timor, and establishing a "solidarity market" for the brand among Portuguese consumers.

1.2 IB with BoP Clients and Consumers

- i. **Financial services for those without bank access - Cambodia:** ANZ Bank is rolling out a service that allows low-income people to access cash via their mobile phones. Called Wing-Money, the service allows customers to borrow, transfer and make payments using a mobile phone, transforming financial services by making transactions cheaper, faster and more secure.
- ii. **Bienestar en Casa/"Wellbeing at Home"- Peru:** Nestle in partnership with SNV Peru, opened a new commercial channel to improve the positive perception of poor consumers on the brand and products and to increase the company's participation in the BoP segment. This channel operates through a multi level sales

⁴ Successful Inclusive Business Cases Development. SNV – WBCSD: www.inclusivebusiness.org

system that involves poor women as distributors and nutritional counsellors on the benefits of the products. The inclusive business model provides better income and welfare for the BoP and a bigger market for Nestle.

- iii. **Enabling safe drinking water - Pakistan and Bangladesh:** PUR® is essentially a water treatment system for households not served by a safe drinking water supply or for use in disaster relief. Since Procter and Gamble introduced it in 2000, PUR® has provided 260 million litres of clean drinking water. It has been successfully used in many countries, including the tsunami-ravaged region of South East Asia, where 15 million sachets were delivered – enough to treat 150 million litres of water. This water solution is supported by a pool of NGOs as well as national and local governments.

1.3 IB with BoP Distributors

- i. **Empowering impoverished rural women - India:** Hindustan Lever, the Indian subsidiary of Unilever, already enjoys a sophisticated and extensive distribution network encompassing both urban and agricultural areas. The core challenge was to develop locally-appropriate distribution channels for customers in undeveloped, and often very remote, regions. Hindustan Lever now works with 15,000 underprivileged women to bring its products to 70 million rural consumers. This innovative business model provides significant opportunities for local women to participate in the economy; moreover, it empowers local communities and promotes health and hygiene.

1.4 IB with BoP Employees

- i. **Project employability in the construction market - India:** High unemployment in rural areas, combined with a lack of skilled and qualified masons in the construction markets, is a key issue for cement producers in India. Lafarge Company, through its "Project Employability Programme," is providing professional training to youths as masons and helping them gain employment in the construction sector. These two improvements in the lives of local populations aim to reduce socio-economic ills by supplying the construction markets with skilled masons, benefitting the customer by lowering costs and Lafarge through increased sales volumes.

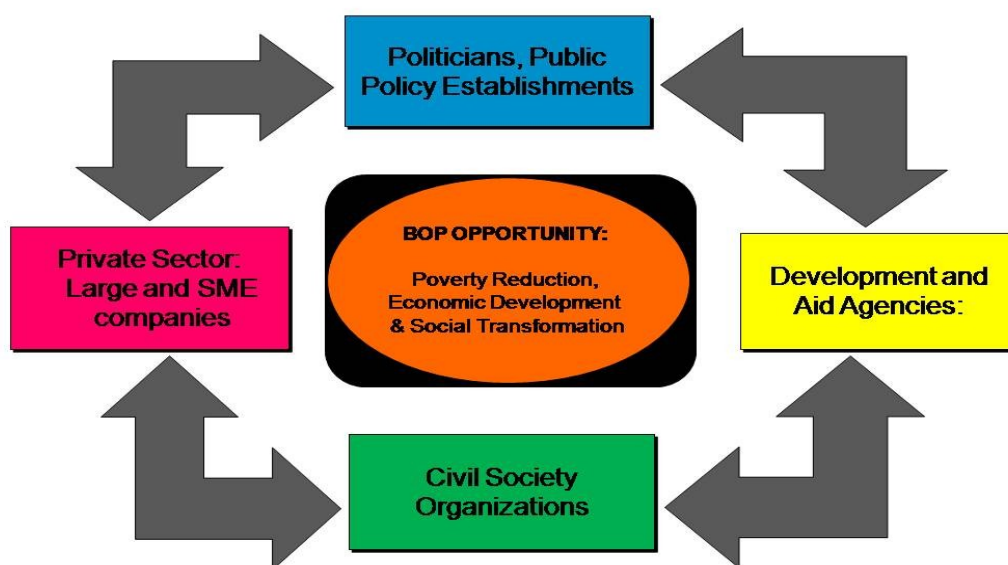
C. Market-Based Ecosystem

"Industry, government and non-governmental organisations need to work together, leveraging the competencies each brings to the table. Most importantly, this should include local production, local talent development and local entrepreneurship."

Gerard Kleinstertee, President and CEO, Royal Philips Electronics

- .1 **The inclusive business framework is a market-based ecosystem where private sector and social actors with different traditions and motivations all have a role to play while depending on each other.** The symbiotic relationship between them all is represented in the following figure:

Figure 3: Inclusive Business: A Market-Based Ecosystem



Source: "The fortune at the bottom of the pyramid." Prahalad, 2006

D. Stakeholders, characteristics and roles

**Table 1
Market-Based Ecosystem: Characteristics and Roles of Stakeholders Involved in Inclusive Business**

ACTOR	CHARACTERISTICS	ROLES
Politicians, Public Policy Establishment	National and local governments	Create framework conditions - Legitimacy - Regulations - Infrastructure - Education - Training - Consumer awareness - Use influence of force / threat / power as means to move businesses to action
Private Companies	Medium or large, national or international	- Understand significant societal signals - Engage the core business (not CSR or philanthropy) - Leverage existing entrepreneurial models

		<ul style="list-style-type: none"> - Enable scale - collaborate with other businesses - Minimize adverse social impacts - Partner with government and civil society
Development and AID Agencies and Civil Society	Local and international cooperation networks, membership organisations/coops	<ul style="list-style-type: none"> - Create shared priorities among businesses, government, and themselves - Develop projects focusing on social and economic inclusion - Establish networks to exchange experiences and knowledge - be accountable

Source: WWW.INCLUSIVEBUSINESS.ORG. SNV-WBCSD Alliance

E. Benefits For All Parties: The Win-Win Potential of Inclusive Business

Developing inclusive business models creates benefits for all within a value chain as follows:

1. Benefits for the Bottom of the Pyramid

- i. Fair prices and benefits
- ii. Guaranteed market
- iii. Increased productivity
- iv. Access to technology, training and technical assistance
- v. Access to financing and quality products and services
- vi. Better quality of life
- vii. Business environment and investment climate

.2 Benefits for Companies

- i. Reduced costs, speedy delivery and better adaptability to market trends by integrating local producers into the value chain
- ii. Increased productivity and earnings
- iii. Access to new consumer bases, knowledge, and local networks
- iv. Import substitution
- v. Better relations with governments
- vi. Improved brand equity and corporate reputation

.3 Governments

- i. Creation of employment opportunities and income generation
- ii. Increased tax revenues through inclusion of micro and SMEs in the formal regulatory framework
- iii. Reduced black market activities through an organised micro SME sector
- iv. Healthy competition and implementation of best practices as a result of a robust private sector

- v. Increased foreign exchange through exportation of local produce to developed overseas markets

F. Keys to Successful Inclusive Business Models in the Financial Crisis

- .1 **With trust and an inclusive business approach, the developing world becomes not only the market for the future, but also the supplier and the workforce.** But if the poor are the market for the future, it is vital to ensure that the products on offer meet their needs. Inclusive business models aim to use commercial means to better people's lives, but there are no formal checks and balances that guarantee this outcome. Developing appropriate products that truly meet people's needs and contribute to local development is a delicate balancing act, with the risk that companies introduce market products that are inappropriate for low-income communities.
- .2 **The experience of some large companies operating in developing countries suggests that successful inclusive business models reflect a combination of three factors: focus, partners, and localisation.** In essence, companies will need to do the following:

Focus on their core competencies - companies that concentrate on their key strengths are better able to innovate utilising those strengths. This helps guarantee consistency between the company's portfolio of activities and the inclusive-business model, and will make it easier to take successful pro-poor business mainstream in the future.

- i. Partner across sectors - governments and NGOs are increasingly interested in working with businesses. By involving development organisations that share complementary goals, companies can benefit from on-the-ground expertise and additional resources. Companies operating in developing countries often lack the usual infrastructure and support systems: market intelligence, manufacturing capabilities, or distribution channels. Ensuring that companies have the trust of the communities with whom they work is also essential. Likewise, thinking across sectors might lead to innovative partnerships involving companies from different industries, addressing a bundle of needs holistically.
- ii. Localise the value creation -. companies have much to gain from tapping into local networks and local knowledge.

G. Financing Inclusive Business Opportunities

- 1. **One of the greatest challenges around inclusive business is attracting sufficient and appropriate capital to finance such activities, especially in countries with considerable business risk.** To overcome this barrier, a mindset shift is required whereby companies embrace new ways of thinking about how business could be done. To make the most of available resources, companies need to redefine how, from whom and for whom they raise capital.
- 2. **Financing inclusive business does not involve abandoning this traditional modelling process of estimating capital needs and expected future cash flows as well as gauging risk. However, it does entail adjustments to** factor in indirect and less tangible benefits to the company. The considerable social benefits these projects bring mean that many non-traditional sources of capital may be interested in helping such a business succeed.

3. **These sources of capital can help remove obstacles to profitability and shorten the lead-time until a business is fully commercially viable.** Both direct funding (project capital) and funding that improves the business environment and supports partner organisations (partner capital) can help to achieve this.
4. **Some companies have begun to shift their thinking from a centralised capital strategy mentality, in which companies go it alone in raising funds for their business, to a distributed capital strategy in which companies also become capital conduits to already existing local expertise and capacities.** Bilateral and multilateral agencies are becoming increasingly interested in working with companies, and some private foundations are beginning to support for-profits whose goals coincide with their own programme objectives.
5. **However, to benefit from this public purpose money, inclusive businesses need to demonstrate tangible social benefits.** In addition, managers are most likely going to need to learn the language and goals of non-business organisations.
6. **A considerable amount of money, earmarked for development, is available from a number of sources to support business activities in poor communities.** Increasingly, these external capital providers are keen to help start up inclusive businesses and finance those with limited access to conventional borrowing.

H.Lessons from Inclusive Business Implementation

- 1.**The practical challenge raised by IB models is to find ways to fulfil the role and purpose of all stakeholders while helping to resolve socio-economic and global issues.** After 4 years of implementing more than 85 inclusive businesses in Latin America and Asia, building on 40 years of rural and value chain development experience, SNV has learned the following:
 - i. There is an apparent need for an ethical agent: a catalytic and impartial actor seems necessary to broker social and financial capital and innovation in inclusive business development
 - ii. The role of the leading company is critical: the engagement of the company's CEO and internal commitment are fundamental to succeed
 - iii. It's essential to catalyse an enabling business environment: to leverage government/public policy support helps create a "tipping point" that can strengthen the potential for scalability and replicability
 - iv. It's essential to focus on the business problem/opportunity: good intentions alone are insufficient – as in any business venture, there must be a strong business case rooted in a viable opportunity/problem
 - v. It's essential to focus on core business/hidden assets: to have the greatest potential for success, inclusive businesses must be closely aligned to a company's core business or leverage a hidden asset through innovation.
 - vi. Pricing undoubtedly will continue to play a pivotal role in expanding product penetration among BoP consumers, but it cannot be perceived as the sole growth driver.
 - vii. It's essential to leverage trust: trust is fundamental – without the key parties overcoming historical mistrust or perception of each other, deals will fail

- viii. Exploration of blended finance models is important: as with the launch of any business, a combination of financial vehicles will always be necessary – not just social investment, but a mix of grants and investment capital (loans/equity)
- ix. Local capacity is key: localising value creation and integrating/strengthening local capacity is critical to ensuring sustainability
- x. It's essential to measure impact and bottom-line: progress and success must be verifiable through both impact and bottom-line improvements - these must be objectively measured
- xi. It's important to explore verticals and horizontals across industries: it may be insufficient to work through or within one sector or industry – innovation across sectors and industries may be essential for catalysing further success and opportunities
- xii. Knowledge of the BoP is critical: long-term understanding of the low-income segment is fundamental to be able to assess what is and is not possible
- xiii. Co-creation and speediness wins: managing expectations on all sides is critical – ensuring quick wins is fundamental to building trust among the parties and within the parties themselves (co-creating with champions inside the company and community)

III PUBLIC SECTOR RESPONSES TO INCLUSIVE BUSINESS INITIATIVES

The environment where business activities take place is decided by policy makers. As a result, governments and development organisations play a pivotal role in the success of inclusive business.

Inclusive businesses require business-government partnerships to design incentives and other innovative mechanisms that will build a greater ethical dimension into profit-making decisions. SNV's main concern is to refocus from short-term profit considerations to long-term, sustainable value creation, constructed around the integration of economic, social, environmental and governance issues into corporate management and operations.

A.Governance Capacity: Building an Enabling Environment for Inclusive Business (WBCSD⁵-SNV contribution)

1. **The contribution of the private sector to development can be accelerated, but only if there is a sound enabling environment in place.** This is as true for SMEs as it is for large multinational corporations. Through endeavours such as those outlined above, companies are discovering that there is no "one-size-fits-all" approach. To be successful in these markets, companies must focus on meeting real needs, using approaches, such as inclusive business, adapted to the markets they target and well integrated with their core business competences. This is not always easy and can carry with it considerable business risk.
2. **A key prerequisite for the success of the business model is a favourable investment climate that is both stable and predictable.** SNV-WBCSD is seeking to advocate for change by working collaboratively with multiple stakeholders to create a more enabling business environment and seeking synergies between official development assistance and foreign direct investment. In this context, the Alliance SNV-WBCSD has called upon political leaders to focus their attention on the following priorities:

⁵ Bjorn Stigson, President of the World Business Council for Sustainable Development (WBCSD)

- i. A fair and competitive global market that is non-discriminatory
 - ii. Regulatory frameworks that uphold property rights, promote greater movement of entrepreneurs to the formal economy, and root out corruption
 - iii. Capacity building and access to finance for local enterprises and entrepreneurs
 - iv. Investment in the necessary infrastructure such as roads, energy, telecommunications, and ports
3. **Governments that move beyond conventional wisdom and work with new partners have an unprecedented opportunity to help people lift their countries out of poverty and into market economies.** At the same time, companies will be developing new markets for their businesses.
4. **38. Governments also help promote environmental, social, and economic sustainability.** They create and maintain a level playing field for companies by promoting competition and focalising subsidies, including acting together in international trading rounds . They can offer subsidies when needed to incubate key future industries and smooth necessary transitions as national comparative advantages shift.
5. **Public policy tools can be seen in terms of a hierarchy, ranging from voluntary agreements to mandatory measures.**

B. Case Study: "Development as Social Transformation: The Inclusive Policy of Ecuador"⁶

Many of the inclusive business ideas generated in the framework of the SNV-WBCSD Alliance's work in Latin America face hurdles from the overall business environment and regulatory regime. In Ecuador, the alliance team has been able to position the concept of inclusive business as a means to build a constructive and pragmatic relationship between public and private sectors. A key argument used was the fact that there could be no sustainable economic and political inclusion, two key issues of the governmental programme, without economic inclusion, and the latter could not be possible without the engagement of the business community.

Ecuador is currently experiencing a period in which the role of the state and its institutions are being redrawn. This has most notably prompted progressive business leaders to promote the concept of economic inclusion, not only out of a concern for the rather socialist campaign proposals advocated by the current president, but also out of a necessity to demonstrate that business is good for Ecuador's development.

I. Objective

Create a favourable political environment for the implementation of inclusive business activities aligned with the government's theme of "socio-economic inclusion."

II. Process followed to engage government and business:

⁶ SNV-Ecuador. Knowledge Institute, 2009

- a. Late 2006: review of the proposed government agenda presented by the presidential candidates during the election campaign
- b. Early 2007: matchmaking between current president's policy agenda and the theory underpinning the concept of inclusive business
- c. As of early 2007: identification of key policy advisors around the president who would be willing and able to build a bridge between the Alliance and the new government. This led to the creation of a loose advocacy network between government, business, and development actors, which in turn facilitated the alignment of the various views and interests
- d. February 2007: Presentations of the proposal to the governmental authorities, with the aim of having them take ownership of the initiative and working towards incorporating it in the presidential policy agenda
- e. May 2007: the proposed programme was approved at the ministerial cabinet level. The Alliance followed up with advisory services to government contacts in order to develop the initiative's public vision. This was most notably the case whilst the Alliance was making sure that the government developed an economic inclusion strategy that incorporated the concept of inclusive business
- f. July 2007: Following several consultations with the Alliance, the government identified specific areas for economic and policy support from the public sector. At the same time, the Alliance also engaged key actors within the Ecuadorian business community (some of them already familiarized with the IB approach) to identify their needs and concerns in terms of the hurdles posed by the investment climate and the lack of incentives to engage in inclusive business ventures
- g. October 2007: the President of Ecuador made the concept of economic inclusion a part of the social development agenda (90 million dollars allocated) with a view of overcoming the country's high level of inequality and poverty. Ten medium and large companies signed a Memorandum of Understanding to implement the IB approach in governmental programmes
- h. January 2008: the Ministry for Social Development Coordination (MSDC) formulated the policies for economic and social inclusion for the current administration, and coordinated, with other ministries, the implementation of a national programme for economic inclusion
- i. June 2008: international development agencies, most notably the European Commission and the Inter-American Development Bank, allocated non-refundable resources to support the governmental programme of social and economic inclusion

III. The four core pillars making up this national strategy:

- a. Inclusive Business, with a focus on prioritised agricultural value chains for the benefit of low-income communities via credit lines as well as financing for technical assistance and infrastructure measures. This includes financial incentives for companies to integrate small producers in their value chains
- b. Nutrition Development Programme, which links small dairy producers to the provision of school breakfasts for children

- c. Inclusive Trade Fairs, where the public sector invites micro-entrepreneurs to present what goods and services they have to offer, with the aim of integrating them into the public procurement process
- d. Threading Development Programme, designed to generate jobs and income for artisans through the provision of uniforms to school children. Overall, the government has set aside credit lines amounting to USD 87 million for the next four years. It aims to create some 250,000 new direct and indirect jobs over the same time span.

C. Key Factors on the Promotion of Inclusive Policies

- a. It is essential to identify key actor “champions” within the government
- b. Validated and systematised case studies that show concrete results must be used to achieve credibility in the eyes of the government
- c. Political events, such as the presidential transition, create opportunities to position the concept of inclusiveness as a constructive solution to bridge the divide and lack of trust between business and government
- d. In order to achieve long-lasting results, the buy-in of the public and private sectors, as well as civil society, is indispensable

IV.

OTHER RESPONSES

A. Global Alliances on Inclusive Business

1 SNV-WBCSD Alliance on Inclusive Business

In March 2006, the World Business Council for Sustainable Development (WBCSD) and SNV Netherlands Development Organisation created a strategic alliance to work together to address sustainable poverty alleviation through business-led initiatives across a number of countries in Asia, Latin American and Africa. CEO’s global forums on these continents have generated plenty of inclusive business models of which 85 are currently being implemented by the Alliance in Latin America and in Vietnam.

Working through the local representatives of both organisations, the Alliance focuses on three areas of activity:

- i. Awareness-raising of [inclusive business](#) models
- ii. Brokering of new business opportunities that benefit the BoP in the target countries
- iii. Advocacy to improve framework conditions for this type of inclusive business

2 SNV’s IB International Advisory Board

The Board’s members include social, political and academic leaders from around the world. SNV’s International Advisory Board’s members share their knowledge and networks to help expand the scale and impact of SNV’s work. Some of the associates include [Jeffrey Sachs, President and co-founder of the Millennium Promise Alliance](#), and [Mohammad Yunus, Managing Director of Grameen Bank - Bangladesh](#).

- 3 **Other relevant SNV Alliances** on the promotion and financing of IB models include: the Inter-American Development Bank, Harvard University, Cornell University, Global Inclusive Markets-UNDP, the Millennium Promise Organisation, and General Electric.

B. Regional Alliances on Inclusive Business: i.e. Vietnam

1. VIETNAM BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT: VBCSD

In association with the Vietnam Chambers of Commerce and Industry (VCCI) and the International Union for Conservation of Nature (IUCN), SNV supports the implementation of the VBCSD, a national partner of the WBCSD. In this initiative, SNV leads the IB component focus on the identification of anchor companies and the identification of business models. This initiative is driven by a core group of CEOs of fifteen multinational and national founding companies.

V RECOMMENDATIONS

A. For Government

- i. An enabling regulatory environment for inclusive business is critical. Governments can support social responsibility programmes aimed at sustainable and inclusive economic growth initiatives for the BoP.
- ii. Governments can help address the dire need for start-up funds for inclusive business initiatives by providing incentives for companies that are able to demonstrate commitment to pro-poor businesses, e.g. in the form of tax benefits, subsidies and seed funds for companies
- iii. Create new funding mechanisms that allow companies and organisations operating at the grassroots level to more easily unlock vital sources of financial and technical support.
- IV. Promote flexible partnerships and the formation of networks among enterprises, development agencies and governmental organisations for better business opportunities, access to technology, financing and information.
- v. Recognise that while inclusive business is a key pillar of companies' long-term engagements in developing and emerging economies; it is challenging to scale up from pilot programmes. There is no "big bang" solution to scaling up, and that models used in one country may not apply in another.

B. For Business⁷

- i. Management leadership from the top needs to be balanced with commitment at operational levels. Leadership cannot be over-prescribed; each initiative needs to adapt to local conditions and find its own way to maturation and success.
- ii. See shareholder value as a measure of how successfully they deliver value to society, rather than as an end in itself. Major companies' contribution to society comes through their core businesses, rather than philanthropic programs.
- iii. Develop an understanding of how global issues such as poverty, the environment, and demographic change affect businesses and sectors. Therefore, build the inclusive business models around that understanding, rather than applying standard business models with slight adjustments.
- iv. Understand host government's development agenda. If investments and projects are not a success for the host community, they will not be a

⁷ **Based on the "Manifesto for tomorrow's global", Tomorrow's Leaders group of the WBCSD-SNV 2009.**

success for companies either. Businesses have to look to build a shared agenda with the governments and communities where they operate.

- v. Incorporate long term measures into business definition of success , targeting profitability that is sustainable, supported by a positive record in social, environmental, and employment areas

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