

8 TAKING ACTION

India: By establishing a network of Internet kiosks, a large agribusiness has taken action to provide local farmers with access to market information that can help them improve incomes.

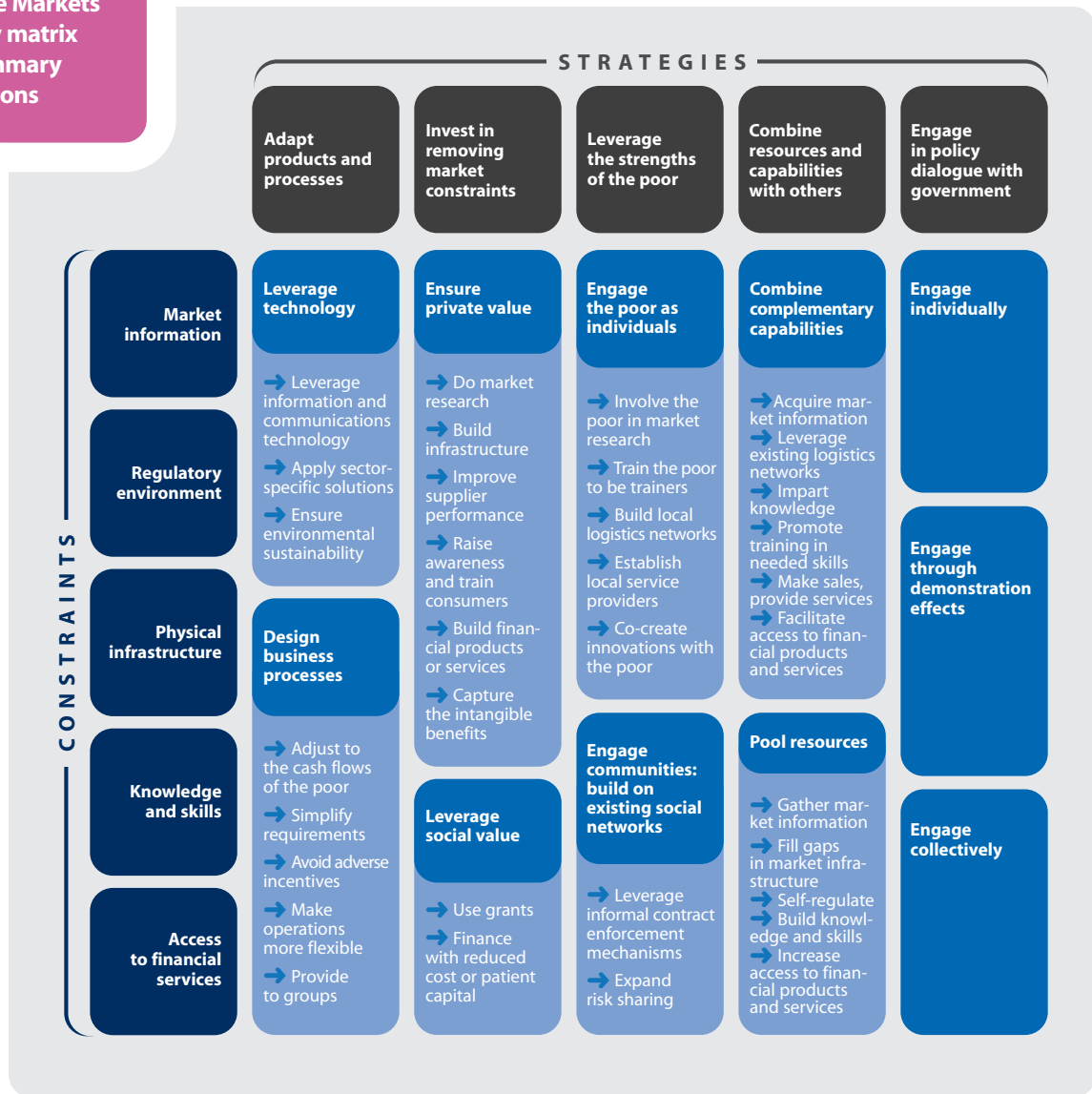
Photo: ITC Limited



The value of including in functioning markets the billions of people that are now shut out of them can hardly be overestimated. Such value will accrue to business, to the poor and to society at large. Businesses can generate profits and create the potential for long-term growth by developing new markets; innovating with new technologies, products, services and processes; expanding the labour pool; and strengthening the supply chain. Poor people can enter value chains at various points, from producing the raw materials to consuming the end products. They benefit from better access to goods and services that meet basic needs and increase productivity. They can also improve their incomes and escape poverty using their own means.

Opportunities for creating mutual value exist in many sectors, from agriculture to manufacturing, from telecommunications to finance. Some inclusive business models have already achieved large-scale growth. Many more opportunities remain to be discovered.

Figure 8.1. Growing Inclusive Markets strategy matrix and summary of solutions



As this report shows, the environments in which poor people find themselves contribute to their lack of opportunities. Missing market information makes it difficult for many businesses to consider dealing with them. They face a regulatory environment where rules are not effective, not supportive or not even accessible to them. They lack adequate infrastructure, including roads and networks for electricity, water and telecommunications. They lack many kinds of education, skills, training and other knowledge. And their access to credit and insurance is restricted. These conditions also constrain opportunities for entrepreneurship. Local people find it difficult to grow their businesses. And business people

from outside find it hard to deal with the challenges, especially when they are accustomed to well-functioning markets in their home regions.

And yet, as this report has shown, there are strategies that can work. The entrepreneurs featured in the Growing Inclusive Markets Initiative case studies have discovered solutions and established successful businesses with the poor. They have used their own capabilities and resources to overcome constraints, often in collaboration with public, private and not-for-profit organizations—not to mention with the poor themselves.

The entrepreneurs in this report exemplify what is possible. Their businesses contribute to achieving the Millennium

Development Goals in ways that can be magnified if others follow their example:

- Nancy Abeiderrahmane changed the face of the dairy industry in Mauritania and set up a profitable business. By providing higher incomes to her 1,200 local employees and suppliers, most of them nomadic herders, she is contributing to Millennium Development Goal 1—to eradicate extreme poverty and hunger—while preserving the nomads' way of life.
- In Brazil, Antônio Luiz da Cunha Seabra's cosmetics company is sourcing natural ingredients from local communities, contributing to their incomes and promoting Millennium Development Goal 1.
- Bindheshwar Pathak, an Indian entrepreneur, offers clean and cheap sanitation systems to 1.2 million households and operates 6,500 public pay-per-use restroom facilities. By 2006, Pathak's company had liberated 60,000 people from lives as scavengers, 95% of them women and girls. The company contributes to Millennium Development Goal 3—to promote gender equality and empower women, and to part of Millennium Development Goal 7—to reduce the proportion of people without access to basic sanitation.
- Dora Nyanja, a nurse franchisee in Kibera, Kenya, runs a Child and Family Wellness clinic to provide better and more affordable healthcare to slum dwellers. In 2006 alone, Kenya's 66 Child and Family Wellness shops and clinics benefited almost 400,000 low-income patients, contributing to Millennium Development Goal 6—to combat HIV/AIDS, malaria and other diseases.
- A pharmaceutical entrepreneur, Stephen Saad is doing his part to achieve Millennium Development Goal 6 in South Africa. Over 2001–06, Saad reduced the monthly cost of antiretroviral HIV medicines for each patient from about \$428 to \$13. His firm is building the capacity to supply

South Africa's national antiretroviral treatment program with roughly 60% of what it now requires.

- Joshua and Winifred Kalebu have designed, developed and managed innovative, affordable community water supply schemes in Uganda. Their business earns a profit while advancing part of Millennium Development Goal 7—to increase the proportion of people with sustainable access to safe drinking water.
- In the Philippines, Napoleon Nazareno runs a company that provides low-cost, prepaid airtime cards and the option to send remittances using short message service technology. With a network covering more than 99% of the population, Nazareno's firm serves 24.2 million people, reducing the 'digital divide' and advancing part of Millennium Development Goal 8—to make available the benefits of new technologies.

The solutions these entrepreneurs have found, and the inclusive business models they make possible, can inspire others. There is room for many more inclusive business models. There is room for more inclusive markets. And there is room for much greater value creation. In the words of Mahatma Gandhi: 'The difference between what we do and what we are capable of doing would suffice to solve most of the world's problems.'

The strategy matrix and summary of solutions (figure 8.1) lists ways to apply the five overarching strategies for mitigating the five broad constraints often faced by inclusive business models. More than one solution—and more than one strategy—are often used simultaneously to overcome a constraint.

This report calls businesses to action. It says: Do as the businesses in these examples did. They found and realized a wealth of opportunities for themselves and for the poor. But the report also calls the rest of us to action. To governments, communities and business associations—to international organizations, nongovernmental organizations and other development organizations—it says: All of us can help to generate more inclusive business models.

What business can do—reaching the poor as consumers, producers, employees and entrepreneurs

- **Create capacity and space for innovation inside the organization.** For example, expose staff and management to new experiences through field trips, volunteer assignments or innovation workshops with local communities. Surface ideas through competitions or incentive schemes. Design business development processes that encourage risk-taking and experimentation, and that leverage knowledge from all functional units—particularly those that already engage with the poor.
- **Develop investment tools**—such as specialized funds, ratings or investment procedures—that allow companies and commercial investors to identify and finance inclusive business models that promise the highest return for the poor, for investors and for society at large.
- **Deepen community engagement** to better understand the needs of poor suppliers and customers, to create innovative distribution channels, to share costs and to leverage local knowledge and social networks. Build links with local small and medium-sized firms. Engage in dialogue with community organizations, local nongovernmental organizations and individuals.
- **Build capacity for effective collaboration,** even with nontraditional partners and for novel purposes. For example, hire staff from other sectors. Establish cross-sectoral secondment programmes. Engage in collaborative initiatives.
- **Engage in policy dialogue** to improve the playing field. Provide information about market constraints to governments transparently and accountably, individually or collectively as part of a business association, policy initiative or stakeholder dialogue. Use influence to lobby for improvements in education, other basic services and legal empowerment of the poor, as well as for safeguarding human rights and environmental quality.

What governments can do—building capacity and conditions for functioning markets

- **Remove constraints in the market environment.** For example, generate regulation that facilitates competitive business, reduces red tape, ensures a functional and inclusive financial market and provides access to the legal system for the poor. Upgrade transportation, electricity, water and data transmission infrastructure. Improve general and professional education.
- **Establish information hubs** that gather and share market information and act as brokers between local and regional businesses, nongovernmental organizations and other relevant organizations and initiatives.
 - Strengthen entrepreneurship capacity through training, organizing, capacity building and technical advising.
 - Strengthen human capital to engage in productive economic activity through effective education and health care.
- **Improve consumer awareness and education** to strengthen demand for pro-poor products.
- **Support and finance inclusive business models** through carefully calibrated incentives.
- **Strengthen government's institutional capacity to collaborate with the private sector.** For example, initiate secondment programmes. Hire staff from the private sector. Engage in collaborative initiatives. Enable government entities to engage in collaborations with the private sector and facilitate cross-sectoral partnerships.
- **Establish platforms to engage business as a partner in economic development.** Through regional, sectoral and national development plans, engage business and economic development associations and multistakeholder groups to address concrete issues, such as water or waste.

What communities can do—business development from the ground up

- **Identify opportunities that business can seize.** For example, collect and share information about the community and its members through community surveys.
- **Identify products that the community can produce competitively.** Develop producer and marketing associations to share costs, aggregate production and leverage bargaining power.
- **Develop networks of small enterprises** (such as retailers) to aggregate and strengthen distribution networks, diversify inventory and link to larger corporate suppliers.
- **Build transparent community organizations,** such as village representation or producer and consumer cooperatives, that facilitate the dialogue between community and business.

What nongovernmental organizations and other development organizations can do—facilitating links and best practice exchange

- **Partner with businesses to facilitate community engagement** that is fair and equitable, that is sensitive to local values and that contributes to human development. Act as a ‘trusted broker’ in engaging business to meet opportunities at the community level.
- **Act as a platform for business collaboration and best-practice dialogue.**
- **Cultivate an openness to collaborations with the private sector.**
- **Facilitate effective, legitimate and transparent public-private dialogue** by providing guidance, tools and processes—and act as a watchdog within this dialogue.

What donors and international organizations can do—catalysing and expanding new approaches

- **Raise awareness among business and development practitioners** about the opportunity of including the poor in business.

- **Provide ‘patient capital’ and other appropriate forms of financing** to develop inclusive business models.
- **Create innovative, impact-oriented grant-giving models,** such as challenge funds or prizes for innovations that will break critical barriers to human development. Make the rewards large enough to create incentives for serious effort and experimentation. Establish effective and efficient ways to evaluate winning models and share learning.
- **Facilitate cross-sectoral dialogue.** Provide common platforms for learning, exchange and decision-making. Offer capacity building and brokering services. Work to establish a common language.

What others can do—target learning, awareness and consumption to expand inclusive business practices

- **Academia and other research institutions can work to improve our understanding** of the size and structure of the markets where the poor live, how inclusive business models work, what effective investments mechanisms look like and how dialogue processes between business and government can be made accountable, legitimate and effective. They can also identify new technologies to catalyse inclusive business models.
- **Business and public policy schools, together with other teaching institutions, can impart knowledge** about inclusive business models and the opportunities they can create, motivating students to enter the field. They can offer opportunities for cross-sectoral learning and enable and encourage students to pursue study projects with inclusive business models.
- **Business associations and partnership brokers can pool information about inclusive models from different sectors** that are open for collaboration, help find the right partner for specific projects and provide guidance on how to design and manage collaborations.

- **Business associations can coordinate collective private-sector action to remove constraints.** For example, industry associations can build joint training programmes or conduct joint market research.
- **The media can raise awareness about the opportunities for business in development.** By featuring successful initiatives they can help raise awareness, foster mutual understanding and remove barriers between stakeholders.
- **Individuals can support pro-poor business models** by purchasing from companies who source from the poor, or by contributing money and skills to nongovernmental organizations that facilitate inclusive business models.

The Growing Inclusive Markets Initiative is a platform to facilitate the engagement of all actors for more inclusive business models. It gathers relevant information, highlights good examples, develops practical operational strategies and creates space for dialogue. This report and the collaborative process that led to it are only first steps towards the initiative's goals. The initiative's online platform, www.growinginclusivemarkets.org, provides access to all the existing data and case studies gathered by the initiative. It will be continually enriched and expanded with up-to-date information and tools.

In 2007, the UN Secretary-General Ban Ki-Moon issued a Call to Action on the Millennium Development Goals, urging an international effort to accelerate progress and help make 2008 a turning point in the fight against poverty. The private sector has been encouraged to join vigorously in this effort. The Growing Inclusive Markets Initiative is a complementary invitation to adopt a business approach whose scale and replicability can bridge the gap between the constraints of today and the promise of tomorrow.

Please join us in this endeavour! 