

EMPOWER & UNITE



INCLUSIVE BUSINESS GUIDE

Inclusive Business for Private Sector Development

Scoping inclusive business opportunities in development projects



How to use the Guide

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THIS GUIDE CONSISTS OF TWO PARTS.

Part 1 supports you in scoping inclusive business opportunities in development projects.

Part 2 will explore in more detail, how to integrate an inclusive business approach at policy level. →

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In particular we would like to thank the Inclusive Business Action Network (iBAN), which has developed, piloted and refined the approaches and concepts on which this guide builds.

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EXECUTIVE SUMMARY

Executive Summary

What if our Private Sector Development (PSD) interventions targeted social impact more directly? It matters what kind of businesses our interventions nurture, beyond the general positive outcomes of employment and business creation. Supporting businesses with social impact can magnify the value of PSD programmes for the local population. Inclusive businesses, including social enterprises, can be found in all impact areas: they provide education, energy, water and sanitation or health care; they integrate small farmers, traditional crafts people, or informal businesses; they upcycle waste or use tourism activities to protect the environment. Engaging with inclusive businesses can make a PSD Programme more effective and impactful by ensuring the Programme's support reaches those who need it most. This guide explains why and shows you how to identify inclusive business opportunities for a development Programme. The guide addresses Programme managers and Programme developers in bilateral and multilateral development agencies.

Why? The first section explains why and how supporting inclusive businesses rather than just traditional businesses can deliver direct social impact for a development programme.

- › Unlike traditional businesses, inclusive businesses ensure that social impact is a part of their core business model by intentionally including those living in poverty in their supply chain.
- › »Leave No One Behind«, the core principle underlying the Sustainable Development Goals (SDG) is fundamental to the concept of inclusive business. These businesses contribute significantly to the SDGs by providing critical services such as healthcare, education, and water to those living at the Base of the Pyramid (BoP) in developing countries.
- › Supporting these businesses not only creates more and better jobs; it also ensures that those who need the jobs the most have access to them.
- › These businesses can reach people and places that are often overlooked by traditional business and governments. Working with them can provide access to and amplify impact to key target groups living at the BoP and enhance the governments development agenda.

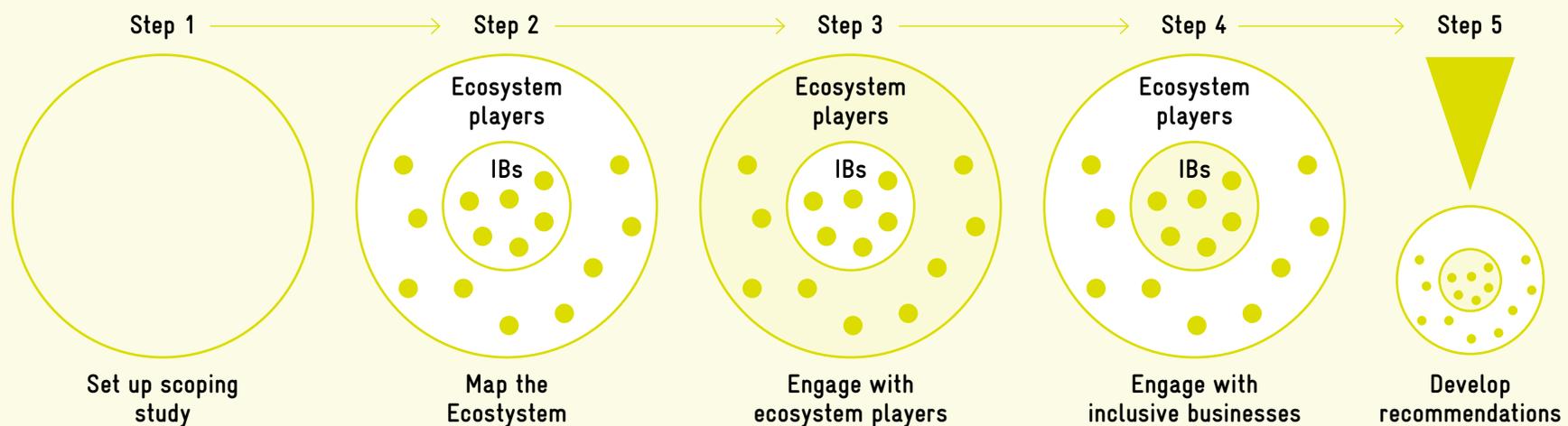
Given the unique nature of inclusive business models, they have needs and challenges that are somewhat different to what traditional businesses usually experience. PSD programmes that include inclusive businesses will need to tailor their support to meet these needs.

How? The second section shows how to identify inclusive business opportunities for a development Programme and identify what type of support you could provide. In five steps, the guide provides detailed guidance on how to prepare for and conduct a scoping study, and then how to draw conclusions. The scoping study is designed as a short exercise, providing just enough insight to assess whether there is potential to integrate an inclusive business approach in the programme and to design next steps.

What? The third section provides resources to support the scoping exercise. This includes existing reports, but also networks and online resources that consolidate a lot of the actors and current insight. With this, you will be well equipped to manage the scoping study – and, ultimately, make the Programme even stronger.

This guide has been written with the help of insights from a range of experts familiar with inclusive business and development Programmes – especially from the Inclusive Business Action Network (iBAN). We would like to acknowledge those that gave time to be interviewed. A full list of interviewees is listed in [annex A](#).

FIGURE 1: Five steps to scoping inclusive business opportunities



1.



WHY SHOULD YOU BE INTERESTED
IN INCLUSIVE BUSINESS?

1 Why should you be interested in inclusive business?

Working with inclusive businesses can magnify the impact of a Private Sector Development (PSD) Programme. This guide shows you how to identify that potential.

BOX 1:

What is inclusive business?

The G20 defines inclusive businesses as businesses that provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people from the base of the economic pyramid (BOP) making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers. Exact definitions vary based on the intention and use. Some are very strict and include only commercially viable, scalable business models, sometimes adding innovation or measuring and managing impact, while others take a broader view. Social enterprises or

social businesses use a market approach but put the social impact first. They are not always profitable and can be organized as not-for profit or for-profit companies. In many developing countries, these concepts are rather new and not clearly defined or delineated. This guide includes both commercially viable business models operating at scale as well as social enterprise models that have the potential to scale.

Source: G20 Framework¹, iBAN Inclusive Business Features²

The concept of alleviating poverty through business approaches was first articulated by C. K. Prahalad and Stuart Hart in their 2002 article, »The Fortune at the Bottom of The Pyramid«. Since then, thousands of businesses have emerged that tackle challenges such as access to basic goods and services or creating economic opportunity with a self-sustainable model. Some of these companies are well established and have integrated

inclusive business models in their core business. Many are social enterprises that aim for a hybrid form of using the market mechanism, but without a profit objective. Finally, some companies run inclusive business activities on the side, often as Corporate Social Responsibility (CSR).³ In this guide, we use the term inclusive business for all these approaches.

1 G20 Development Working Group (2015). G20 Inclusive Business Framework (See Annex for more details). (Accessed January 7, 2022)

2 iBAN, BCIA (2021), Inclusive Business Features (Accessed January 7, 2022)

3 G20 Development Working Group (2015). G20 Inclusive Business Framework

BOX 2:

What is the Base of the Pyramid?

The term Base of the pyramid (BoP) refers to the 4.5 billion individuals at the bottom of the economic income pyramid. It describes men and women from the low-income segment that lack access to basic goods and services as well as opportunities. The most used definition for the BoP is the global income threshold of \$US 8.44 per capita and per day (PPP 2010).⁴ This encompasses the poor (\$US 0–2.97) as well as low-income (\$US 2.98–8.44) market segments.⁵ While individual purchasing power is low, the 4 billion people in this segment constituted a \$5 trillion consumer market in 2008, when the IFC conducted a global assessment.⁶ To reflect variance of income levels at country levels, the threshold for the BoP may also be viewed as the bottom 40-60% (B40/B60) of the income pyramid.⁷

PURPOSE OF THIS GUIDE

This guide is primarily for staff in bilateral and multilateral development Programmes, planning officers and consultants who are designing new Private Sector Development Programmes or developing a new strategy for an existing Programme. It has been developed to help you understand the relevance of inclusive business to the Programme. It provides you with guidelines

to assess the potential of incorporating an inclusive business approach in the Programme, be it as the specific focus of a Programme, or as a component of a Programme with a wider focus. The introductory section covers how and why inclusive business could play a key role in the successful delivery of PSD programmes. The second section provides guidelines for an inclusive business scoping study that can serve as a quick assessment tool to explore, within a short timeframe and with limited resources, the potential benefits of integrating inclusive business interventions into the Programme. The third section provides links to useful resources.

Part 2 of this guide will explore in more detail, how to integrate an inclusive business approach at policy level if you identify great potential in this scoping exercise.

INCLUSIVE BUSINESS CAN UNLOCK IMPACT IN PSD

PSD recognizes a strong private sector as the engine of economic growth and the key driver in reducing poverty, as private enterprises create jobs and provide goods and services that poor people use. There are multiple approaches used in PSD and, typically, these approaches have addressed the

⁴ G20 Development Working Group (2015). G20 Inclusive Business Framework

⁵ ASEAN (2020). [Guidelines for the Promotion of Inclusive Business in ASEAN](#) (Accessed January 7, 2022)

⁶ Gaertner, K, & Ishikawa, E. (2014). Shared prosperity through inclusive business: How successful companies reach the base of the pyramid.

⁷ G20 Development Working Group (2015). G20 Inclusive Business Framework

needs of traditional or mainstream businesses in the private sector. These approaches lead to outcomes such as more and/or better employment opportunities, improved business environment, or a more skilled workforce. However, to unlock further social impact and increase the likelihood of poor people benefitting directly from the Programme, applying

these approaches to specifically support inclusive businesses could be the answer. Unlike traditional businesses, inclusive businesses specifically cater to those living at the BoP.

These businesses lend themselves to the overall objectives of PSD programmes and development objectives overall.

WHY

BOX 3:

How do traditional businesses and inclusive businesses differ?

Donors are increasingly engaging with the private sector as their partners for development and economic growth in a country. While many businesses have started to recognize their role within society for delivering social impact, the approaches through which they contribute vary. One distinguishing feature is how the contribution relates to a company's core business. Traditionally, mainstream businesses have pursued their social impact contribution through philanthropic CSR activities that are distinct from the core commercial business. In recent years, companies are increasingly integrating the social contribution into the core business to achieve impact at scale while being profitable. This is where inclusive business comes

in. Inclusive businesses integrate their social contribution into their core business, placing the BoP at the centre.⁸ While all businesses pursue financial viability and contribute to the economic growth of a country, e.g., by creating employment opportunities, providing goods and services, paying taxes or fostering technology transfer, inclusive businesses create social impacts that go beyond.⁹ As part of their business model, inclusive businesses intentionally and systematically engage the BoP (e.g., as producers, suppliers, employees, traders or as consumers). Inclusive businesses contribute to improved livelihoods, increased income, and better and affordable access to essential goods and services for the BoP.¹⁰

8 UNDP (2016). Uncharted Waters: Blending value and values for social impact through the SDGs.

9 Business Innovation Facility & Innovations Against Poverty (2011). What is 'Inclusive Business'? Briefing Note no.1.

10 Business Innovation Facility & Innovations Against Poverty (2011). What is 'Inclusive Business'? Briefing Note no.1.

1.1 Contributing to the Sustainable Development Goals

The principle of »Leave No one Behind« underpins the Sustainable Development Goals (SDGs). The SDGs provide the overarching framework that guides development work and is at the heart of the inclusive business concept.¹¹ Such businesses step in where governments and traditional businesses struggle in providing access to critical services such as healthcare, water and sanitation, energy, or financial services. They also create economic opportunity for those that are further away from it, such as small farmers, informal business owners, traditional craftspeople, women, or youth. These businesses see the immense economic potential at the BoP but also believe in improving the lives of those at the BoP. Inclusive businesses, therefore, create triple wins that are beneficial to the poor, beneficial to businesses and beneficial to society and, often, the environment.

»Inclusive business has the potential to be a driving force for inclusion and sustainability and to contribute to the effective implementation of the SDGs. To harness this potential, all stakeholders – including governments, the private sector, and other actors – have a role to play«

– **G20 Inclusive Business Framework**

There are several examples of inclusive businesses across sectors and countries that demonstrate that these models are both impactful and scalable, providing benefits to the BoP that have not been possible before. **Table 1** lists some of these examples and describes their impact to date.

WHY

¹¹ GIZ (n.d.). 2030 Agenda for Sustainable Development Website. (Accessed December 3, 2021).

TABLE 1: Examples of successful inclusive business models

| BUSINESS | SECTOR | COUNTRIES | HOW BOP IS ENGAGED | BUSINESS MODEL | SOCIAL IMPACT |
|-----------------------|-------------|--------------------|-------------------------------|--|---|
| GOLDEN SUNLAND | Agriculture | Singapore, Myanmar | As Producers/ Suppliers | Golden Sunland produces high-quality rice using responsible farming methods. Golden Sunland partners with local farmers and includes them in the rice value chain by selling their products and connecting them to markets whilst improving yields through support services and lowering costs through bulk purchases. ^{12 13} | As of 2020, Golden Sunland has improved the livelihood of 600 farmers, increasing the farmers' net profits on average by 30%. This results in a net income increase of \$US 40 per hectare and season. ¹⁴ |
| ACCESS AFYA | Health | Kenya | As Customers and Distributors | Access Afya runs primary health-care centres that deliver services such as consultations, first aid, chronic care, maternal care as well as lab testing in slums in Nairobi. The business works closely with communities to increase its presence and impact by hiring local clinical officers, pharmacists and community health workers that work at these clinics. ¹⁵ | As of 2020, Access Afya runs 17 clinics and pharmacies, treating over 96,000 patients per year across four counties. They have treated 205,819 people in total, with a recovery rate of 98%. ¹⁶ Surveys have shown that the majority of patients are better informed about their condition, have increased their physical activity, and have improved their diets. ¹⁷ |

WHY



12 iBAN (2021). Inclusive Business Profile: Golden Sunland - Improving livelihoods of smallholder farmers and reducing the carbon footprint of rice production.
 13 Golden Sunland (n.d.). Website. Available at: www.goldensunland.com (Accessed September 20, 2021).
 14 iBAN (2021). Inclusive Business Profile: Golden Sunland - Improving livelihoods of smallholder farmers and reducing the carbon footprint of rice production.
 15 Business Call to Action (2016). BCTA Impact Measurement Services (BIMS) Case Study: Access Afya.
 16 Access Afya (2020). Company Profile 2020.
 17 Business Call to Action (2016). BCTA Impact Measurement Services (BIMS) Case Study: Access Afya.



| BUSINESS | SECTOR | COUNTRIES | HOW BOP IS ENGAGED | BUSINESS MODEL | SOCIAL IMPACT |
|----------|---------|--|-------------------------------|---|---|
| M-PESA | Finance | Democratic Republic of Congo (DRC), Egypt, Ghana, Kenya, Lesotho, Mozambique, and Tanzania | As Customers and Distributors | M-Pesa is a fintech platform that was first launched by Kenyan telecom operator Safaricom in 2007 and provides mobile money services. M-Pesa provides a safe, secure, and affordable option for people without financial accounts to send, receive and store money. M-Pesa offers functions that enable the people to make bill payments, receive salaries as well as short-term loans. ¹⁸ | Established in 2007, the business is Africa's leading mobile money service with more than 918,500 agents across seven African countries. M-Pesa has a customer base of 49.7 million that altogether make over 15.2 billion transactions per year. ¹⁹ |
| SOLSHARE | Energy | Bangladesh | As Customers | SOLshare uses smart peer-to-peer grids to bring affordable solar electricity to people in Bangladesh and beyond. Through SOLbazaar, an IoT-driven trading platform, SOLshare enables solar home system users to trade excess solar energy for money, allowing other households to access solar energy at a lower cost. ²⁰ | To date, SOLshare's platform has connected about 500 households into 30 microgrids across Bangladesh and India. SOLshare's solution serves 4,000 beneficiaries with access to solar energy, and 40% of the end-users are women and children. ²¹ |

WHY

18 Vodafone (n.d.). M-Pesa. (Accessed September 20, 2021).

19 Vodafone (n.d.). M-Pesa. (Accessed September 20, 2021).

20 SOLshare (n.d.). Website. (Accessed October 4, 2021).

21 Empowering People Network (2021). SOLbox. (Accessed October 4, 2021).

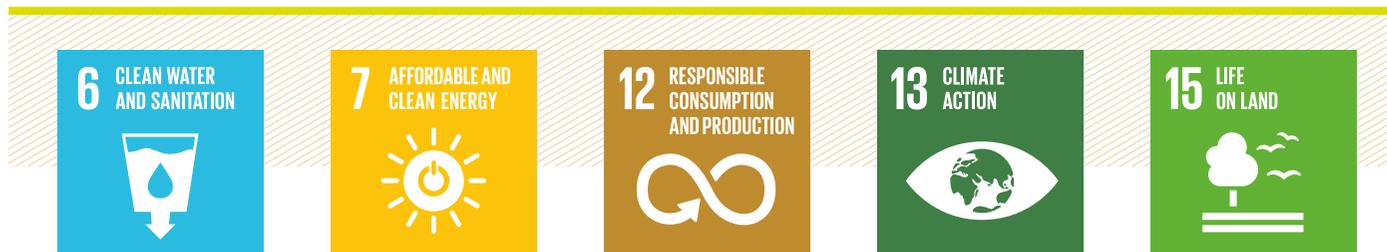
Inclusive businesses combine poverty alleviation and sustainable development and can contribute towards the achievement of several SDGs. These are, in particular:²²



Other SDGs may be influenced by inclusive business or play a vital role in implementing inclusive business solutions:²⁴



Depending on the inclusive business model and its target sector, inclusive businesses may contribute to other SDGs as well. For example, green inclusive businesses may also contribute towards the following SDGs:²³



22 iBAN (2020). [Sustainable Development For Business and the SDGs](#) (Accessed September 24, 2021)

23 GIZ (2018). Wirkungsdossiers Nachhaltige Wirtschaftspolitik und Privatwirtschaftsförderung.

24 WBCSD (2016). Delivering on the SDGs: The inclusive business approach.

1.2 Creating jobs for those who need them most

Inclusive businesses do not just create more or better jobs, but often create economic opportunity for those who need it most. Sometimes, creating jobs and income is the main purpose, for example where inclusive businesses connect farmers or craftspeople to broader value chains, as in the example of Golden Sunland. Often, reaching the BoP with goods and services requires a significant workforce in that very market. Inclusive businesses recruit and train health workers, educators, technicians, or micro franchise entrepreneurs. Access Afya, for example, works with a team of 68 people of which three quarters are recruited locally from the Nairobi slums that the business is active in.²⁵ Inclusive businesses also have strategies in place to create jobs for women, youth, or other disadvantaged groups specifically. The GIZ Programme »Innovation and Investment for Inclusive Sustainable Economic Development« (ISED) in Indonesia adopted an inclusive business approach which helped create hundreds of jobs at the BoP (see box 4).

WHY

BOX 4:

ISED partnered with inclusive businesses to create jobs

For the Innovation and Investment for Inclusive Sustainable Economic Development (ISED) project that was implemented by GIZ in Indonesia (2017–2021), the key project pillar of job creation led the project managers to adopt an inclusive business approach. They developed six inclusive business partnerships in the tourism and manufacturing sectors with the objective of »promoting inclusive and sustainable

employment.«²⁶ A study assessing the results of the partnerships found that inclusive business has the potential to create »more, better and more inclusive jobs« in Indonesia. The project itself helped 722 local residents, directly and indirectly, obtain employment, increase income, and/or improve working conditions.²⁷

²⁵ Access Afya. (2020). Company Profile 2020.

²⁶⁺²⁷ GIZ (2021). ISED Monitoring, Evaluation, and Learning (MEL) Report.

1.3 Providing access and reach

Inclusive businesses can have significant reach in their sectors and countries. They can reach customers and producers even in remote or difficult-to-access communities. And they manage hundreds and sometimes thousands of employees and entrepreneurs under their wings. They can therefore be an attractive partner to multiply the reach of the intervention. For example, working with inclusive businesses such as Hello Tractor has allowed the Nigeria Competitiveness Project (NICOP) to access smallholder farmers and MSMEs that they were looking to support (see Box 5 for more).

WHY

BOX 5:

The Nigeria Competitiveness Project (NICOP)

Inclusive business approach as the best lever to achieve competitiveness across agricultural and light manufacturing value chains

The Nigeria Competitiveness Project (NICOP) is a four-year project commissioned by the German German Federal Ministry for Economic Development and Cooperation (BMZ) and implemented by the GIZ Pro-Poor Growth and Promotion of Employment in Nigeria Programme (SEDIN). The project aims at improving competitiveness and exports through an integrated value chain development approach with a focus on inclusivity and innovation.

The project started with a standard approach and found that businesses already working with the target group (i.e., those living

at the BoP) would be effective partners for implementation. With support from the GIZ Inclusive Business Action Network, the project learnt about the inclusive business concept and began working with local inclusive businesses.

The project works with inclusive businesses to provide training and support for smallholder farmers and artisans, and to facilitate fair offtake and contract farming agreements. It also works with inclusive businesses to provide financial support and literacy training to smallholder farmers and artisans. As part of its policy pillar, the project aims at improving the business enabling environment by making sure that the BoP are part of the process, e.g., by facilitating public-private dialogues,



increasing awareness on policies, and advocating government on more inclusive policies.

Working with, and supporting, local inclusive businesses enable the project to efficiently reach MSMEs and smallholder farmers in Nigeria, thereby enhancing the project's overall social impact. One such business is Hello Tractor, a technology company that connects smallholder farmers to tractor owners through a mobile application. This provides smallholder farmers affordable access to mechanized farm equipment that is otherwise expensive and unreliable, giving farmers the opportunity to earn more and grow more. Hello Tractor has provided mechanized farming to over 500,000 farmers in Sub-Saharan Africa. Because such businesses already have established relationships with the target group, the collaborations help to achieve several of key project indicators, e.g., indicators concerning employment, income, turnover, delivery of training/support, facilitation of access to finance, or implementation of COVID19 measures, amongst others.

1.3.1 INCLUSIVE BUSINESSES REQUIRE SPECIFIC PSD SUPPORT

While they have similar business needs and challenges as traditional businesses, inclusive businesses face additional hurdles that come from working with the BoP. For example, inclusive businesses often find it particularly difficult to access the finance they need as traditional investors are reluctant to take on the perceived additional risk involved. Therefore, inclusive businesses often need more specific, tailored support to help them grow and scale their impact. Incorporating inclusive business in PSD Programmes involves approaches that are specifically catering to the needs of such businesses, be it at the macro, meso or micro levels.

At macro level, where the aim is typically to improve the business environment and influence policy in favour of the private sector, approaches with a traditional focus aim to bring about reform in the areas of the general business environment and policy. Specifically supporting inclusive business could mean introducing incentives for businesses registered as social enterprises or accredited as inclusive businesses and exploring favourable policies for impact investors.

At meso level, supporting business at large typically involves enhancing the institutional capacities of business associations or Business Development Services (BDS) providers.

Specifically supporting inclusive businesses could mean strengthening and developing support organisations like impact incubators and accelerators or BDS providers with inclusive business expertise.

At micro level, businesses receive support directly, for example through start-up support or strengthening value chains. Specifically supporting inclusive businesses could involve, for example,

providing matching grants for scaling certain impact areas or partnering with businesses to further integrate the BoP into their supply chain.

The table below summarizes some of the key PSD approaches used in Programmes across the three levels and outlines how the traditional and inclusive business approaches differ within each.

WHY

TABLE 2: How the traditional and inclusive businesses approaches differ within PSD programmes

| LEVEL | AREA OF INTERVENTION | TRADITIONAL APPROACH | INCLUSIVE BUSINESS APPROACH |
|-------------|---|--|--|
| MACRO LEVEL | Rules, regulations and standards | <ul style="list-style-type: none"> › Reform in the areas of the general business environment and policy such as streamlining overly complicated business registration or licensing procedures | <ul style="list-style-type: none"> › Review existing regulations that limit BoP participation in the market, include pro-poor development targets, improve regulatory framework for inclusive businesses. Examples could be tax incentives, or preferential procurements for social and/or inclusive businesses › Consider specific legislation that impacts inclusive businesses such as land access and ownership rights |
| | Investment climate & financial services | <ul style="list-style-type: none"> › Develop partnerships with the private sector to mobilize private capital › Financial reforms to enhance the overall investment climate | <ul style="list-style-type: none"> › Consider how the financial regulatory framework can be improved specifically for inclusive businesses, such as improving access to different forms of funding, e.g., impact investing |

| LEVEL | AREA OF INTERVENTION | TRADITIONAL APPROACH | INCLUSIVE BUSINESS APPROACH |
|-------------|---|--|---|
| MACRO LEVEL | Information & awareness | <ul style="list-style-type: none"> › Improve access to general market information and increasing transparency for businesses, e.g., market prices, good practices etc. | <ul style="list-style-type: none"> › Awareness raising about the benefits of inclusive business in development and social and economic growth through events, campaigns, or publications › Gather information on BoP markets such as purchasing power, preferences or needs of the poor from various stakeholders and make it publicly available |
| | Capacity development | <ul style="list-style-type: none"> › Training and capacity building for state actors to develop private-sector strategies and policies. | <ul style="list-style-type: none"> › Training and capacity building on inclusive business and relevant interventions for state actors |
| MESO | Capacity of BDS providers | <ul style="list-style-type: none"> › Enhance the institutional capacities of traditional business associations or Business Development Services (BDS) providers. | <ul style="list-style-type: none"> › Build inclusive business capabilities of traditional BDS providers so they can support traditional as well as inclusive businesses › Catalyse and strengthen specialized BDS providers, such as impact incubators or accelerators |
| | Networks and platforms | <ul style="list-style-type: none"> › Establish platforms that enable dialogue between the public and private sector or business membership organisations that represent the interests of the private sector › Establish platforms for training and networking | <ul style="list-style-type: none"> › Include inclusive businesses in platforms and/or establish inclusive business networks to facilitate exchange (including with the public sector) and peer to peer learning › Build an enabling ecosystem for inclusive business by connecting key actors. › Include inclusive businesses in platforms for training and networking and facilitate relevant content |
| | Sectoral Economic Promotion/Value chain promotion | <ul style="list-style-type: none"> › Offer support to those sectors that show great potential for growth, value add and employment › Promote collaboration between private sector companies, public sector, and BDS to strengthen value chains and produce and sell products and services more efficiently and effectively | <ul style="list-style-type: none"> › Place special importance on integrating the poor in value chains. Specifically promote inclusive businesses that serve the poor or involve them in manufacturing or sales |

| LEVEL | AREA OF INTERVENTION | TRADITIONAL APPROACH | INCLUSIVE BUSINESS APPROACH |
|-------------|------------------------------|--|--|
| MICRO LEVEL | Start-up and scaling support | <ul style="list-style-type: none"> › Run start-up competitions; set up incubator and accelerator Programmes | <ul style="list-style-type: none"> › Run challenges with a special focus on certain impact areas; set up incubator and accelerators that specifically support inclusive business models; start mentor Programmes that connect established inclusive businesses with new entrepreneurs |
| | Investment | <ul style="list-style-type: none"> › Set up funds for start-ups and SMEs | <ul style="list-style-type: none"> › Facilitate early-stage risk funding to entrepreneurs developing inclusive business models through mechanisms such as match-making that connects entrepreneurs to local investors |
| | Technical assistance | <ul style="list-style-type: none"> › Offer training on business management skills | <ul style="list-style-type: none"> › Offer training to inclusive businesses and add relevant specific content › Partner with established inclusive businesses to offer training/other services to those in their value chain (e.g., smallholder farmers that they buy from or distributors of their product/service) |
| | Innovation support | <ul style="list-style-type: none"> › Enable innovation by supporting new technologies and business ideas | <ul style="list-style-type: none"> › Enable innovation by supporting new business models that adapt products and services for the BoP |

Sources: DCED (2016). *How to create an enabling environment for inclusive business? Learning from experience and debates in private sector development*.
 Endeva (2013). *Inclusive Business Policies: How Governments can Engage Companies in Meeting Development Goals*.
 BMZ (2013). *Sector Strategy on Private Sector Development. Strategy paper*.



2.

FINDING OPPORTUNITIES FOR INCLUSIVE BUSINESS APPROACHES

2 Finding opportunities for inclusive business approaches

If you see the potential for incorporating inclusive business in a development Programme, the first step to understanding how this can be done is to undertake an inclusive business scoping study.

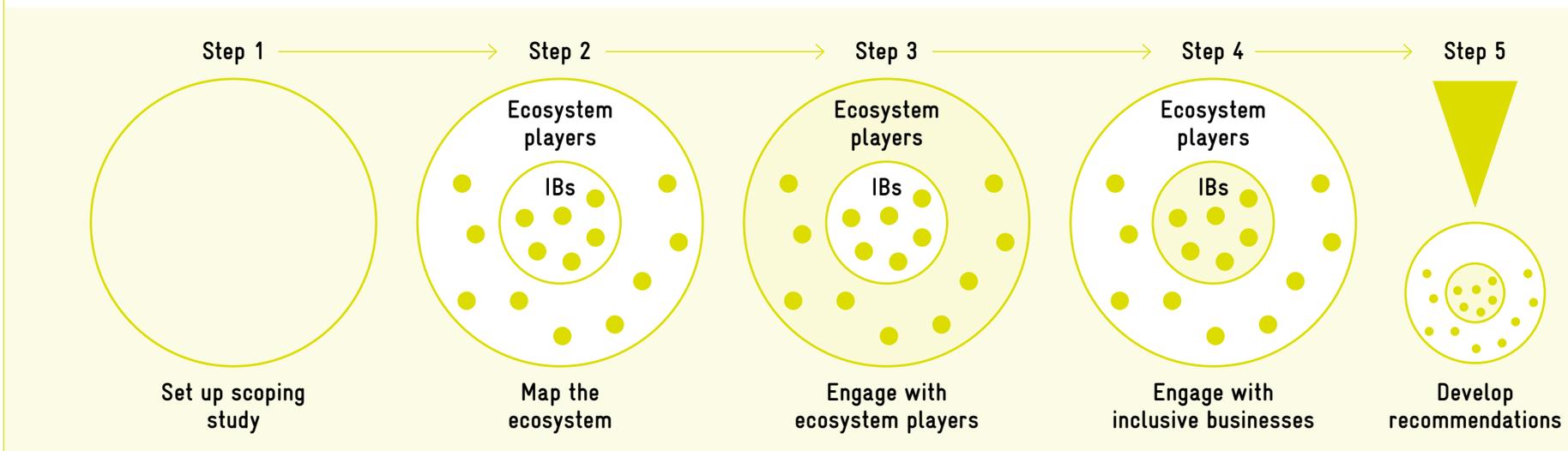
A scoping study is a brief assessment of the inclusive business ecosystem in a country, region, or sector. It assesses the state of inclusive business within the particular context, evaluating the existence and relevance of inclusive businesses, the ecosystem that exists to support such businesses, the challenges they face, and the potential for growth of such businesses.

The objective of such a study is to develop an understanding of inclusive business within the particular context and identify the opportunities for integrating an inclusive business approach in the development Programme. Ideally, a scoping study should be conducted a few months prior to launching a new development Programme or extending an existing one. Results can then inform the concept and planning process of the future Programme.

A scoping study is typically brief as it provides more of a high-level overview of inclusive business rather than an in-depth evaluation. Think of it as the first step in the journey towards understanding how inclusive business currently operates and how it could be a pathway to success for the Programme. It will help you evaluate whether you can include an inclusive business element in the Programme and/or invest more resources in doing a deeper study of the inclusive business landscape as the start to developing a policy Programme.

The Scoping Study process involves the following key steps:

FIGURE 2: Five steps to scoping inclusive business opportunities



OPPORTUNITIES

(Source: Endeava)

This section outlines each step-in detail and takes you through the elements to include in each step. It is important to remember that these steps do not have to be strictly followed. They are a guide to help direct you on this journey. You will encounter challenges and opportunities along the way that are unique to the local context. It is important that you look out for these and adapt the process accordingly. For example, in certain contexts, it may make sense to engage with the businesses before you speak to the stakeholders in the ecosystem, or it could work to conduct both sets of interviews simultaneously.

The number of interviews that you do will also vary depending on local variables. These are the types of decisions that can only be understood when you begin exploring the landscape. This guide provides standardized suggestions to help you.

As this guide was being developed, a pilot scoping study was conducted in Azerbaijan for the GIZ Programme Private Sector Development and Technical Vocational Education and Training, South Caucasus (PSD TVET). To provide a better understanding of what each step looks like in reality, we are describing the experience of the Azerbaijan scoping pilot at each step.

The main focus of the PSD TVET Programme is to improve the conditions for job creation and employment in the South Caucasus. It promotes the private sector by working with businesses, support providers and the government to improve competitiveness and develop sustainable business models in key employment sectors. Having identified that many local companies are uncompetitive because of an unskilled workforce, developing appropriate training providers for skills development is a core component of its work. The Programme staff are exploring whether supporting the development of inclusive business could help achieve their objectives.



2.1 Set up the Scoping Study

2.1.1 CONDUCT A WORKSHOP ON THE KEY CONCEPTS OF INCLUSIVE BUSINESS

Before you begin the study, conducting a workshop on the key concepts of inclusive business with the team working on the study will equip the team with important foundational knowledge. A one-day workshop will be useful to clarify the important definitions, distinctions with other types of businesses, criteria for how to identify inclusive businesses, the different types of inclusive business models, as well as to outline the plan for the study. In case you are working with an external consultant, it's also important at this stage that the consultant has a clear understanding of the Programme so that they can tailor the scoping work accordingly.

It would be helpful to have an inclusive business expert, who also supports the study, to lead the workshop. In addition, use existing resources such as those developed by the Inclusive Business Action Network (iBAN) to familiarize the team with the key concepts of inclusive business (see Chapter 3 of this Guide for more).

2.1.2 CONDUCT A PROJECT ASSESSMENT

Doing a thorough assessment of the development Programme will help you identify the areas where, and how, an inclusive business approach could be beneficial. Review the Programme's overall objectives and the outcomes, outputs, and indicators that the Programme has set out to achieve. This will help you identify the possible opportunities for including an inclusive business approach and provide direction to the scoping study. If for example the Programme is on job creation, you may want to focus on working with inclusive businesses that aim at creating employment opportunities. This could be done by involving artisans or offering micro franchise support. If the Programme is building technical skills among youth, you may want to collaborate with solar energy companies that are looking for young technicians. You can decide to do a general scoping study of inclusive business in the region that the Programme is working in or to focus on a particular sector, region, type of business etc.

GIZ's Kenya Programme for the Promotion of Self-Employment and Entrepreneurship conducted an inclusive business scoping study as a mean to demonstrate to the government that policy interventions would be beneficial (see box 6).

Box 6:

Inclusive business scoping study in Kenya²⁸

The Kenya Programme for the Promotion of Self-Employment and Entrepreneurship

Since 80 % of enterprises operate in the informal sector at the BoP in Kenya, the Programme team presumed that an inclusive business approach could be highly beneficial to fulfilling the Programme objectives. They conducted a scoping study to assess the state of inclusive business in Kenya as the first step to work with government and other stakeholders on a more in-depth landscape study that could ultimately lead to the development of a national inclusive business strategy (see box 4 for more).

The Programme aims at supporting SMEs in the growth phase mainly through technical assistance and financial assistance for young entrepreneurs. After the first phase of the Programme, GIZ Kenya engaged a local and an international consultant to conduct a scoping study that explores options on how to include an inclusive business approach in the second, forthcoming phase of the Programme.

The purpose of the scoping study was to provide a brief snapshot of the inclusive business discussion in Kenya through identifying good inclusive business examples within the country, introducing the concept of inclusive business to different stakeholders, and finding key champions. The ultimate objective was to get agreement from the Kenyan government to conduct a more comprehensive landscape study on inclusive business.

²⁸ Interview with Irene Omogi, GIZ Kenya Programme Manager and Richard Wahiu, Local consultant working with the GIZ Kenya Programme

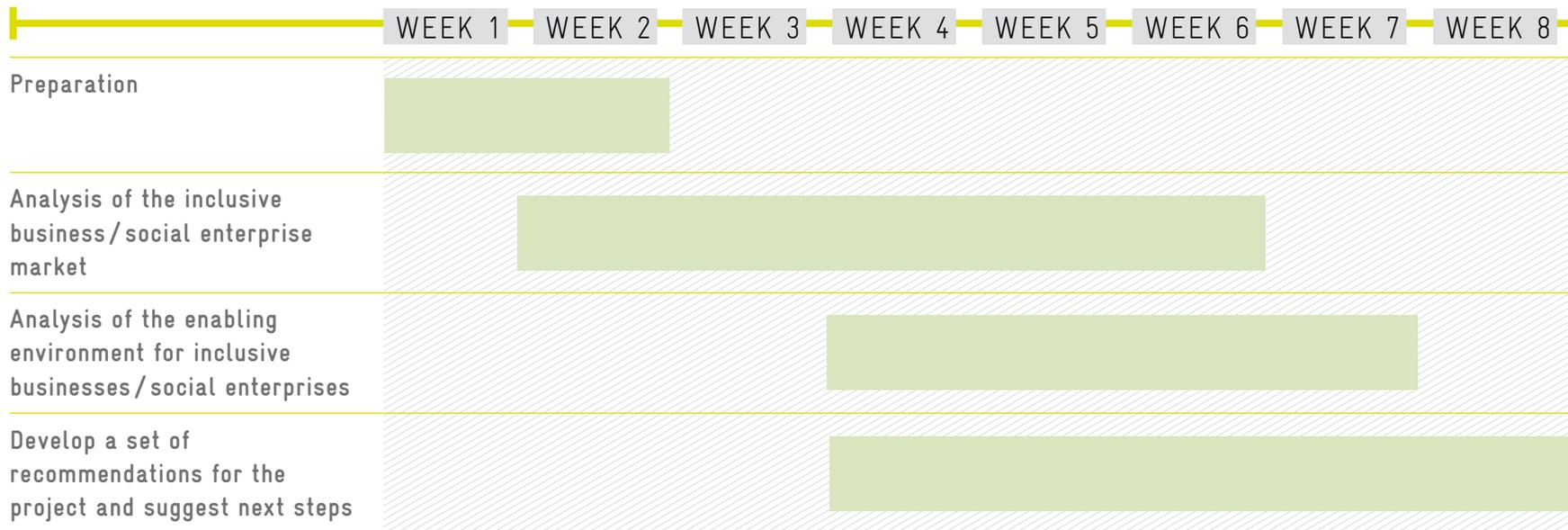
2.1.3 PLAN THE STUDY

A scoping study could take between 2–4 months, depending on the context and the available resources. The table below shows a generic process for the study. Each step will be discussed in detail on the following pages. This generic process can be the starting point for your terms of reference. Typically, you will hire an external consultant to help with the study. Ideally, you can find someone who already has good knowledge and networks in the sector. In some countries, the approach is still quite new, and you may have to work with someone who is not that familiar with the concept. In this case, and if you cannot provide the knowledge yourself, it will be helpful to have an international consultant or internal expert on board to support.

For the Azerbaijan pilot, the PSD TVET Programme team hired a local consultant who is an expert in economic policy and planning, working at the Centre for Support for Economic Initiatives in the capital city, Baku. He is well versed in macro-economics and has good local networks, but as inclusive business is not well known in the country, he had to be familiarized with the concept as part of the first step of the study. The Endeva team worked alongside him to develop a plan for the scoping study. The main objectives for the Programme were to understand the current status of inclusive business in Azerbaijan with a view to making possible policy recommendations.



FIGURE 3: Timeline of the scoping process



OPPORTUNITIES

CHECKLIST 1:

Planning for your scoping study

- ✔ Conduct a workshop introducing key inclusive business concepts
- ✔ Conduct an initial project assessment to identify inclusive business opportunities in the result framework
- ✔ Identify a 2-4-month window to conduct the scoping study
- ✔ Put together a team to conduct the scoping study

2.2 Map the inclusive business ecosystem

With a plan and the right team in place, you are all set to start the study. Begin by conducting a high-level mapping of the local inclusive business ecosystem to get a basic understanding of the status of inclusive business within the local context. This involves doing desk research on the types of inclusive businesses that are prevalent, the organisations and initiatives that exist to support them, and the level of government and policy support that is available.

Box 7:

The inclusive business ecosystem

An inclusive 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.²⁹ The ecosystem includes multiple actors such as governments, financial institutions, media, and intermediaries, including business associations, incubators, and accelerators. The cooperation between these actors plays a crucial role in helping inclusive businesses overcome systemic barriers that cannot be overcome on an individual level. Along with all the challenges that traditional businesses face, inclusive businesses contend with additional challenges given the low-income markets that they operate in. For example, the

regulatory and legal environment for conducting business with poor communities is often lacking or difficult to navigate through.

The diagram below shows the key actors in the ecosystem that are required to provide the four key support functions for inclusive businesses identified by the G20³⁰ – information, rules, financial resources, and capacity. Depending on how new the concept of inclusive business is in a particular country, the ecosystem could be mature and include all the actors working together to grow inclusive business, or it could be much more nascent with only one or two actors providing any sort of inclusive business support function.

29 UNDP (2013). Realizing Africa's Wealth: Building Inclusive Businesses for Shared Prosperity. Growing Inclusive Markets.

30 G20 Development Working Group (2015). G20 Inclusive Business Framework



OPPORTUNITIES

Source: G20 Development Working Group (2015). G20 Inclusive Business Framework

2.2.1 CONDUCT DESK RESEARCH

Start with a desk review of information that is easily available: The easiest way to do this is by doing an internet search of existing websites, publications, and articles about inclusive business in the local context. This will help you understand how developed the local inclusive business ecosystem is. Look particularly for any government regulation or policy support that may exist. It would be useful to review strategic documents where available such as the country's budget framework, development strategy, SME and industrial policy, and its poverty reduction framework. Similarly for sector Programmes, basic documents like the objectives of the respective ministry, what other donor agencies are doing in the sector etc. would provide helpful context. In many developing countries, the concept of inclusive business is not necessarily understood, whereas social entrepreneurship is quite prevalent. In some countries, there will be many online resources, while in other countries, desk research may not be that helpful. In any case, it will give you an indication of the level of local knowledge and awareness about inclusive business and will provide a useful starting point.

In the Azerbaijan scoping pilot, the local consultant did not find many resources specific to inclusive business or social entrepreneurship in the country. It became clear that the concept is at a very nascent stage. The main sources of information on the businesses themselves were the websites of social enterprises and interviews they have given to press outlets. Since this Programme has a key focus on the policy level, the consultant analysed the national legislation to determine the extent to which existing policy supports the development of inclusive business. Several policy documents were reviewed including the law on Entrepreneurship, the national tax code and »Azerbaijan 2020: Vision for the Future«.

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2.2.2 IDENTIFY INCLUSIVE BUSINESSES

Create a long list of enterprises and initiatives: During the desk research, search for actual businesses/enterprises that fit the definition of inclusive business (see box 7). Look for businesses that work with the BoP and could potentially incorporate an inclusive approach into their business model. Develop a long list of all such businesses. Look at websites, review online publications, news articles and other resources for information about businesses. If necessary and easily accessible, talk to local experts and business associations.

Box 8:

**Criteria for identifying inclusive businesses/
social enterprises³¹**

**Inclusive businesses can be defined by the following
four key characteristics.**

1. They create positive social impact specifically by including low-income people in the value chain as producers, consumers, employees, and entrepreneurs.
2. They are economically sustainable based on their own revenues. They don't rely on grants or donations.
3. They are independently owned and/or governed.
4. They are innovative and have a model that is suited to supporting the BoP

When assessing whether a company is an inclusive business or not, a company may still qualify even if the key characteristics are only partially fulfilled. Most important is that the business creates a social impact and is financially viable.

³¹ Adapted from Armin Bauer (2020). What is Inclusive Business.

Given the nascent stage of inclusive business in Azerbaijan, it wasn't easy to identify enterprises that qualified for the scoping. The consultant identified enterprises through articles on the internet and by talking to people within his network. The term »inclusive business« was not familiar but social entrepreneurship is a concept that is understood, and a number of social enterprises exist. He developed a long list of 10 enterprises.



ORTUNITIES

2.2.3 IDENTIFY SUPPORT INSTITUTIONS

Create a list of organisations that support inclusive business or social entrepreneurship: Use the same sources as above to map the key players in the enabling ecosystem for inclusive business in the local context. Try to find specific organisations and initiatives that provide support to such businesses. These could include government bodies, business associations, consultancy firms, incubators and accelerators, impact investors, incl. DFIs, development partners, etc. In some contexts, you may not find any institutions that explicitly support inclusive businesses. In such cases, seek out institutions that may have a stake in inclusive business promotion. For example, at the

policy level, the ministries of industry, commerce, finance, agribusiness / agriculture would be worth including.

In Azerbaijan, the scoping team found a very small but emerging ecosystem developing to support social entrepreneurship. An online search helped them identify initiatives like the EducationHub and the Baku Idea Lab that are focused on increasing awareness of the concept and providing learning and networking opportunities to social enterprises. Government agencies, while not specific to inclusive business and social enterprise, were found to have some supportive mechanisms such as the »Self Employment Programme« under the State Employment Agency that provides business assistance and training to vulnerable people.



CHECKLIST 2:

Mapping the inclusive business ecosystem

- ✓ Conduct desk research
- ✓ Develop a long list of inclusive businesses
- ✓ Develop a list of key stakeholders in the enabling environment

ADVICE FROM THE FIELD 1:

Advice from the field – »Go beyond the usual suspects.«

Companies don't necessarily know that what they are doing is »inclusive business« but still qualify and should be considered. In low-income countries, many businesses are serving the BoP in one way or another and are either already inclusive in their business approach or have the potential to be. It is worth digging a little deeper to try and find these businesses. Often development Programmes work with what they call »anchor« or »lead« firms. Also contract farming or outgrower schemes might apply inclusive business models. Other leads could come from looking at the winners of CSR awards or portfolios of impact investors.

2.3 Engage with ecosystem players

Once you have a basic understanding of the inclusive business ecosystem through desk research, the next step is to speak to the support organisations within that ecosystem. This will provide insight into how developed the ecosystem is and what is required to strengthen it, as well as give you a better understanding of the inclusive businesses that currently operate. Use the list you developed during the mapping step to identify five or six organisations to interview. In order to get a holistic picture, you should try and interview a range of different organisations. Aim to speak to the main government agencies relevant to the Programme. Business associations are likely to be able to provide good insight and connect you to businesses. Initiatives that provide training and support to local businesses such as incubators and accelerators should have a lot to share. Impact investors will usually have a good understanding of the local inclusive business ecosystem. In a nascent ecosystem, there are likely to be very few such organisations, so you should try and speak to whoever is available. In a more advanced ecosystem, there will be many of organisations, and you will need to decide who the best interviewees would be.

OPPORTUNITIES

The scoping team in Azerbaijan found it difficult to identify the right people to speak with in the organisations identified in the desk research. While several people from government agencies turned down interview requests, they were ultimately able to speak to a representative of ABAD, a public sector entity that provides support to small and medium

enterprises among other activities, as well as a representative of the EducationHub that is building awareness for social enterprise in the country. Ideally, its necessary to do a few more interviews across a spectrum of different actors but, in Azerbaijan, this seems to have been representative of the situation on the ground.



Before the interviews begin, you will need a prepared set of questions to ask. A generic guide and list of questions can be found [in annex D](#)). Review this beforehand and make edits according to the local context and organisations that you are speaking to. The guide is meant to be used as a flexible tool, and you will need to adjust the questions according to the discussion with the companies. For all the interviews, explain up front what you mean by the concept of inclusive business and try to keep the conversation focused on that throughout. Where interviewees aren't so familiar with the concept, it is possible that they will start talking about more generic start-ups or green businesses.

During the interviews, it is important that you capture all the relevant information provided by the interviewee. It is a good idea to share the interview notes with the respective interviewees. This gives them the opportunity to clarify anything or correct any inaccurate information. It also helps to build trust with the interviewee, which may be useful for the Programme later at a time.

ADVICE FROM THE FIELD 2

Advice from the field – Identify possible champions

As you conduct your interviews, look out for individuals and/or organisations who could be possible champions for inclusive business locally. They would often be a key player in the inclusive business ecosystem or at least be knowledgeable about inclusive business in the local context, have good networks and be passionate about helping inclusive business grow and thrive. If you plan to integrate an inclusive business approach in the Programme, they could be very useful allies who could help you navigate the complexities on the ground.

CHECKLIST 3:

Engaging with the inclusive business ecosystem

- ✓ Identify 5–6 interviewees
- ✓ Schedule the interviews
- ✓ Adapt interview guide and set of questions
- ✓ Conduct the interviews
- ✓ Write up interview notes
- ✓ Analyse interviews: identify key themes and insights
- ✓ Provide feedback/summary of outcomes to participants

2.4 Engage with inclusive businesses

The next step is to speak to the businesses themselves through structured interviews. Businesses can tell you about their approach and impact, who supports them and what they struggle with. Although you may only do a few interviews, some general patterns will become quickly apparent. It is important to identify a good set of businesses to interview from the long list. In some cases, there may only be a handful of local examples and, therefore, you won't have much of a choice. Where there are numerous examples, choose a set of businesses that cut across sectors, sizes, type of reach etc., to get a variety of perspectives. Try and gather as much background information on the businesses that look promising. Basic information to collect would include name, sector, size, their business model and how they reach the BoP. This will help you identify which businesses would be best to interview. Identify a set of six or seven to interview and keep two or three as backup in case you are not able to contact some of your first choices.

OPPORTUNITIES

From the long list of 10 enterprises, five were shortlisted for interviews in Azerbaijan. Since the public information available on the enterprises was very limited, it was difficult to decide which would be best to interview. The shortlisted enterprises were chosen to provide a range of insight from across different sectors and types of models. They ranged from a sock making enterprise providing fair paid, flexible employment to women in rural areas to an initiative working with waste management companies to improve their environmental and employment practices.

ADVICE FROM THE FIELD 3

It is important that you interview the right person at the business. You need someone who knows the nuts and bolts of the business and is a key decision-maker. The CEO, Founder, or manager in charge of the business would be ideal. Speaking with CSR or marketing people may not give you the full picture.



Follow the same process as outlined above for the ecosystem interviews on setting up an interview guide and questions for each interviewee. The standard guide and questions for the businesses can be found in ~~annex C~~. Again, be sure to adjust the questions according to the business that you are speaking with. For these interviews, too, you should capture all information and write up the notes to share back with the businesses. When you have completed all the interviews, review all the notes, and identify the key themes and trends that have emerged. These insights will help you develop your recommendations.

ADVICE FROM THE FIELD 4

Advice from the field – Entrepreneurs are very busy

To make an interview worth the time of busy entrepreneurs, it's important to explain why you are doing the study when you contact them and how it could be beneficial to them in the long run. For example, the Programme could eventually help their sector to get recognition, financing from impact investors, introductions to possible partners etc.

CHECKLIST 4:

Engaging with the businesses

- ✔ Identify 6-7 interviewees
- ✔ Schedule the interviews
- ✔ Adapt the interview guide and set of questions
- ✔ Conduct the interviews
- ✔ Write up interview notes
- ✔ Analyse interviews: identify key themes and insights
- ✔ Provide feedback/summary of outcomes to participants

2.5 Develop recommendations and next steps

Once you have identified the key themes and insights from the desk research and interviews, you can develop recommendations for the PSD Programme. Since this process is very context-specific, there is no evaluation tool that you can use at this stage. However, it would be worth considering the following questions when deciding if and how you could involve inclusive business in the Programme.

- › Can inclusive business help in delivering the Programme objectives?
- › Can working with inclusive business models help reach the target group that the Programme is seeking to impact?
- › Can inclusive businesses help create jobs and businesses among a specific disadvantaged target group, such as women, youth, or low-income people?
- › Can supporting inclusive businesses add relevant SDG impact dimensions to the Programme, such as new business solutions for poverty or climate?
- › Can working with inclusive businesses help you ensure the long-term impact of the project?

You can develop your recommendations for the Programme based on your answers to these questions. If the answer to most of the questions is No, inclusive business probably won't add value to your development Programme. If the answer is yes, then you could consider working with and for inclusive business as part of the development Programme. You should consider which level you're seeking to make an intervention – macro, meso or micro – depending on Programme setup, resources, and objectives. Many Programmes have elements that cut across all three levels. The opportunities and challenges identified during the scoping study can provide a starting point to designing an inclusive business intervention. The [table 3](#) provides some guidance on what the inclusive business intervention could look like at each level using the same approaches as listed in [Chapter 1](#).

TABLE 3: Possible inclusive business interventions based on scoping insights

| LEVEL | INSIGHTS FROM SCOPING STUDY | POSSIBLE AREA OF INTERVENTION | POSSIBLE PROGRAMME APPROACH |
|-------------|---|---|--|
| MACRO LEVEL | Entrepreneurs find it difficult to set up and run inclusive businesses as the regulations are restrictive | Rules, regulations & standards | Include inclusive businesses in policy dialogues and identify specific needs of inclusive businesses in the policy and regulatory environment (for example, watch out for disadvantages vis-à-vis incumbent industries, e.g., in energy or water provision; check the need for a legal form to reflect hybrid approaches). |
| | There is very little awareness about inclusive business amongst local policy makers | Information and awareness | Raise awareness among policy makers on the role and needs of inclusive businesses, and how inclusive businesses can contribute to policy goals |
| | There is potential for impact investing but few investors | Investment climate and financial services | Introduce positive incentives for inclusive businesses, for example via tariffs or tax breaks for socially desirable goods and services Introduce positive incentives for impact investors in local policy |
| | Local government bodies are all geared to supporting mainstream business but know little about inclusive businesses | Capacity development | Work with local bodies to strengthen their capacity for support inclusive businesses |

OPPORTUNITIES



| LEVEL | INSIGHTS FROM SCOPING STUDY | POSSIBLE AREA OF INTERVENTION | POSSIBLE PROGRAMME APPROACH |
|-------------|---|--|---|
| MESO LEVEL | There is limited or no technical support available for inclusive business practitioners. Existing BDS providers only offer mainstream business training | Capacity of BDS providers | Build capacity among BDS on inclusive businesses specific content that can be used in mainstream Programmes to create awareness or in specialized Programmes, including training, incubation, acceleration |
| | Inclusive business practitioners don't have support networks that they can tap into | Networks and platforms | Develop networks specifically for inclusive businesses to meet other practitioners, potential investors, policy makers etc. This could be done nationally as well as regionally to facilitate learning from other countries. |
| | Businesses struggle to find reliable suppliers | Value chain promotion | Partner with inclusive businesses to better integrate and train suppliers in their value chain. |
| MICRO LEVEL | Businesses already reach a large number of the target group of the Programme such as smallholders | Scaling support | Involve inclusive businesses to achieve Programme objectives, e.g., firms reaching many BoP people. Provide support that helps scale existing impact. |
| | Businesses have good models and reach to BoP but need direct financial and technical support to scale and grow. | Technical assistance Investment | Work on value chains with high impact and build on and strengthen inclusive business capacities, e.g., in agriculture, tourism, crafts or energy Facilitate investment to promising inclusive businesses that work in the desired sector |
| | Businesses have good ideas to reach the BoP but lack the knowledge to develop innovative models | Innovation support | Provide assistance that increases the capacity of businesses to adapt products and services to the BoP |

OPPORTUNITIES

For the Azerbaijan Programme, the scoping study suggested that inclusive business can play a key role in sustainable development in the country and recommended several interventions that the PSD TVET Programme could consider. These focused on macro level interventions including updating the legislation to recognize such business entities, and meso level interventions including building awareness around the inclusive business concept and strengthening the support mechanisms for inclusive businesses. Some recommendations included:

1. Develop criteria to determine the activities of IB/SE. The development of criteria in the legislation governing the activities of the IB/SE will allow to identify business entities working with the IB/SE model in the future, to prevent abuses of the benefits of this model.
2. Facilitate access of IB/SE companies to financial resources. Ensuring that IB/SE companies are included in the concession group to increase access to soft loans provided by the Entrepreneurship Development Fund.
3. Design state support mechanisms. For example, the Azerbaijan Small and Medium Business Development Agency (SMBDA) can provide technical support for the development of IBs in the country. The promotion and support of social entrepreneurship can be added to the current activities targeting SMEs.

Every Programme context is unique, and there are multiple considerations to take into account before finalizing your approach. A scoping study is the first step to considering an inclusive business intervention. The next step depends on the priorities of your Programme. A potentially transformative route to effecting lasting change in the inclusive business ecosystem of a country would be to undertake a policy development programme i.e at the macro-level. Such a programme, also known as an Inclusive Business Enabling Ecosystem programme (IBee), has shown some success in countries where it has been implemented. It begins with an in-depth landscaping process that sets the scene for policy development. **Part 2 of this Guide** provides the framework for this landscaping process.

There are several other resources that you can draw on to help you think through the different options available. A list of online resources and tools can be found in the final chapter of this guide.





3.

WHAT SUPPORT IS AVAILABLE
TO HELP YOU?

3 What support is available to help you?

Several resources are available to help you in your journey to understanding how inclusive business could support the Programme and the challenges and opportunities that exist. This section lists some of the key publications and tools that you could review and use.

Box 9:

Inclusive Business Action Network (iBAN)

The Inclusive Business Action Network (iBAN) is a global initiative that aims to support the scaling and replication of inclusive business models. iBAN offers a global network that encourages knowledge exchange on inclusive business. The network is co-funded by the German Federal Ministry for Economic Cooperation and Development and the European Union, and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is responsible for its implementation.³²

As part of iBAN's in-country action, iBAN follows an integrated strategic approach that fosters public-private dialogue by engaging

established inclusive businesses as well as policymakers to exchange information and develop new approaches and policies that support the upscaling of inclusive business models.³³ For established businesses, iBAN provides capacity development, and for governments, iBAN provides policy development support. It also has a comprehensive, searchable online database of more than 2000 publications about inclusive business and related topics, that is available to all.³⁴

32 iBAN (n.d.). Website. (Accessed September 27, 2021)

33 iBAN (2021). iBAN brochure. (Accessed September 27, 2021)

34 iBAN (2021). Publication Database. Website. (Accessed September 27, 2021)

3.1 Reports

3.1.1 INTRODUCTION TO INCLUSIVE BUSINESS

The following resources provide an overview of the concept of inclusive business and other important concepts related to it. The resources highlight different use cases of inclusive business approaches and their potential towards meeting development objectives and achieving SDGs. They further touch upon the importance of an ecosystem that allows for inclusive businesses to thrive. They will help you get a better understanding of the approach, what it entails, and its advantages.

- › **iBAN & BCTA (2021). Inclusive Business Features.** An update on the framework for companies, policymakers, and investors introducing the core features of IB.
- › **ASEAN (2020). Guidelines for the Promotion of Inclusive Business in ASEAN.** The guidelines explain the concept of inclusive business and set out an outline for supporting inclusive businesses on a national level. Additionally, the guidelines provide recommendations for policymakers to promote inclusive business on a regional level.
- › **WBCSD (2016). Delivering on the Sustainable Development Goals.** The inclusive business approach: The document articulates the value of taking an inclusive business approach with a particular focus on its contribution towards the SDGs.
- › **G20 (2015). G20 Inclusive Business Framework.** The framework, by the G20, an international forum for governments and central bank governors, defines inclusive business, sets out recommendations and proposes ways for diverse stakeholders to enable inclusive business in an ecosystem.
- › **UNDP (2007) Creating Value for All: Strategies for Doing Business with the Poor.** Initial definition of inclusive business and introduction of the main models, based on 50 detailed case studies.
- › **UNDP (2015). Realizing Africa's Wealth – Building Inclusive Businesses for Shared Prosperity.** The report describes the status of inclusive businesses in Sub-Saharan Africa and highlights the importance of a supporting underlying ecosystem.

- › **BCtA and UN Global Compact (2015). Implementing Inclusive Business Models. How Businesses Can Work with Low-Income Communities.** The document explains the concept of inclusive businesses in brief and how businesses can address common challenges to the implementation of inclusive businesses.

3.1.2 USEFUL TOOLS AND GUIDES

The following resources provide guidelines, concrete tools and instruments that can be used in order to promote inclusive business approaches in a particular country and context and help inclusive businesses to achieve sustainable growth and impact.

- › **GIZ (2021). Guide for Mapping the Entrepreneurial Ecosystem.** An interactive document that guides the reader through the process of observing, analysing, and visualizing the entrepreneurial ecosystem. The practical toolkit builds upon and combines existing instruments. The guide allows choosing a thematic focus, e.g., on green and inclusive business.
- › **GIZ (2021). Strengthening Entrepreneurial Ecosystems.** An interactive guide that gives development professionals the necessary theoretical background, concepts, approaches and practical tools to strengthen entrepreneurial ecosystems in developing countries.
- › **GIZ (2019). Green and Inclusive Business Toolbox.** Promoting Green and Inclusive Business Models in Development Cooperation Programmes: The toolbox provides support for companies at different stages of business development. It covers the entire range of regional to global support and offers 21 proven tools that have been developed to support inclusive business models in development cooperation.
- › **GIZ (2016). Grow-Scale-Impact.** How to Help Inclusive Businesses Achieve Scale: A guide that was developed for development agencies that promote the growth of inclusive businesses. More specifically, it guides readers through the process of establishing acceleration support for inclusive businesses.
- › **Endeva (2013). Inclusive Business Policies: How Governments Can Engage Companies in Meeting Development Goals.** The report highlights the importance of supporting policies for inclusive businesses to thrive. Based on 158 existing case examples, it provides 19 concrete instruments that support policymakers can choose from to promote inclusive businesses.

- › UNDP (2016). **Brokering Inclusive Business Models**. The publication provides information and tools to build inclusive business models with companies and other partners. It is written for brokers of inclusive business models that provide the connecting tissue in a country's ecosystem.
- › iBAN (2022). **Introduction to Inclusive Business**. A general introductory course presenting basic knowledge on inclusive business, its definition and features. The course also sets the parameters of the IB target groups and how they are involved in the value chain. It outlines the different sectors where the BoP is engaged, identifies different IB approaches and illustrates the inclusive business ecosystem.
- › iBAN (2022). **Developing and Scaling Inclusive Business models**. An e-learning course designed for multiple actors from the inclusive business (IB) ecosystem, especially companies and intermediaries. It explains the Inclusive Business Features, maps the IB ecosystem, and provides a treasure chest of practical tools for intra- and entrepreneurs.

3.1.3 PREVIOUS SCOPING / LANDSCAPING STUDIES

There is no need to reinvent the wheel. While the state of inclusive business and a country's readiness to promote inclusive business approaches may differ across countries, previous scoping and landscaping studies represent great resources that showcase the entire process and methodologies behind such studies. These can be useful for conducting your own study.

- › ESCAP and iBAN (2021). **Landscape Study of Inclusive Business in Viet Nam**. The report includes a market study of current inclusive businesses in Viet Nam and an assessment of the enabling environment. It also provides recommendations for promoting inclusive businesses.
- › ESCAP and iBAN (2020). **Landscape study of Inclusive Business in Cambodia**. The study was prepared by ESCAP and iBAN and includes a market study of inclusive business models that currently exist in Cambodia, as well as an assessment of the enabling environment. The study also provides recommendations for promoting inclusive businesses in Cambodia.
- › iBAN (2018). **Inclusive Business Landscaping Series Colombia**. The study analyses the status quo of inclusive business in Colombia. It describes existing structures and

interdependences in the inclusive business ecosystem, identifies challenges and offers opportunities for future interventions.

- › **Asian Development Bank (2018). Inclusive Business Market Scoping Study in the People's Republic of China:** The report, commissioned by ADB, draws on company examples and practices to explain the current state of inclusive business models in the People's Republic of China. It further discussed key characteristics, such as sector, size, and business models, of inclusive business, the challenges they face and the opportunities in the republic to build on existing Programmes and to promote inclusive business going forward.
- › **British Council and ESCAP (2018). Building an Inclusive and Creative Economy:** The State of Social Enterprise in Indonesia: The research was conducted in order to better understand the state and scale of social enterprise in the country. It explores existing challenges that need to be addressed as well as opportunities to improve the sustainability of social enterprises.
- › **DaNa Facility (2018). Inclusive Business in Myanmar:** The report explores the potential for Inclusive Business in Myanmar. It further aims at improving the understanding of the market and examines the potential of inclusive businesses to attract impact investment. It further makes

policy recommendations on enhancing the environment for inclusive business investments.

- › **Asian Development Bank and SNV (2013). Investigating the potential of an Inclusive Business Fund in Bangladesh:** A Market Scoping Study: The study was co-authored by ADB and SNV and assessed the potential for an inclusive business fund in Bangladesh. It reviews existing Programmes and activities that currently support inclusive businesses and assesses the requirements to increase the inclusive business interventions in the future.
- › **Asian Development Bank and SNV (2013). Developing the Business Case for Investing in Inclusive Business in Indonesia: A Market Scoping Study:** The study assesses the potential for inclusive business development and investment in Indonesia. With a focus on socio-economic and political context, the study assesses the private sector's interest in and opportunities to support inclusive business initiatives. It also explores suitable investment strategies to catalyse the potential of inclusive businesses in the country.
- › **Asian Development Bank and ASEI (2013). Inclusive Business Study Philippines:** The study explores the current state of inclusive business and impact investing in the Philippines. It identifies companies with inclusive business models and provides recommendations to promote inclusive businesses going forward.

- › Asian Development Bank and Dalberg (2012). *Inclusive Business Market Study for India and Sri Lanka*: The market scoping study, written by Dalberg and ADB, aimed at understanding how a lack of debt and equity finance limits inclusive business growth and impact. The study provides recommendations on the design of an inclusive business private equity fund.
- › GIZ (2012). *Enablers of Change: A Market Landscape of the Indian Social Enterprise Ecosystem*: The study conducts a market assessment of existing incubators and impact investors that enable social enterprises in the Indian ecosystem. The study clarifies existing challenges and offers potential solutions for future interventions.
- › Asian Development Bank and SNV (2012). *Developing the Business Case for Investing in Inclusive Business in Pakistan: A Market Scoping Study*: The study assesses the business case of inclusive business development and investment in the country. With a focus on socio-economic and political context, the study assesses the private sector's interest in and opportunities to support inclusive business initiatives. It also explores suitable investment strategies to catalyse the potential of inclusive businesses in the country.
- › Asian Development Bank and SNV (2012). *Establishing an Inclusive Business Private Equity Fund in Viet Nam: A Market Scoping Study*: The study assessed the feasibility of establishing a social investment fund that supports inclusive businesses in the country. It focuses on understanding opportunities, current capacities, and readiness of stakeholders to support inclusive business activities.

3.2 Networks and other initiatives

- › Bcorps / Systema B Network
- › BoP Global Network
- › Business Call to Action
- › Business Fights Poverty
- › Global Steering Group on Impact Investing
- › Venture Philanthropy Associations (Europe, Africa, Asia)



LISTINGS

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List of Abbreviations

| | |
|--------------|--|
| ADB | Asian Development Bank |
| ANC | Antenatal Care |
| ASEAN | Association of Southeast Asian Nations |
| ASEI | Asian Social Enterprise Incubator, |
| BMZ | Federal Ministry of Economic Cooperation and Development |
| BoP | Base of the Pyramid |
| CCM | Chronic Care Management |
| CEO | Chief Executive Officer |
| CSR | Corporate Social Responsibility |
| DAC | Development Assistance Committee |
| DRC | Democratic Republic of the Congo |
| ESCAP | United Nations Economic and Social Commission for Asia and the Pacific |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH |
| iBAN | Inclusive Business Action Network |
| ISED | Inclusive Sustainable Economic Development |
| KPI | Key Performance Indicator |
| MOU | Memorandum of Understanding |

| | |
|--------------|--|
| MSME | Micro, Small and Medium Enterprises |
| NGO | Non-Governmental Organization |
| NICOP | Nigeria Competitiveness Project |
| PPP | Purchasing Power Parity |
| PSD | Private Sector Development |
| SDG | Sustainable Development Goal |
| SEDIN | Pro-Poor Growth and Promotion of Employment in Nigeria Programme |
| SNV | SNV Netherlands Development Organization |
| UNDP | United Nations Development Programme |



ANNEX

ANNEX

A List of interviewees

1. Armin Bauer, Development Economist, Former Coordinator of ADB's Inclusive Business Initiative
5. Markus Dietrich, Director for Policy, iBAN
6. Gulnara Mammadova, Programme Expert, PSD TVET Programme, South Caucasus
7. Samir Aliyev, Lead Consultant, Azerbaijan IB Scoping Study for the PSD TVET GIZ Programme
8. Peter Brimble, Private Sector Development Advisor
9. Irene Omogi, Component Head, GIZ Programme for Promotion of Self Employment and Entrepreneurship, Kenya
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11. Ana Garcia Vanambres, Special Advisor on Innovative Success of Finance & Investment for Value Chains, GIZ SEDIN NICOP, Nigeria
12. Dian Vitriani, Senior Advisor for Policy Advice and Partnership, GIZ Indonesia
13. Sebastian Berwanger, Planning Officer, GIZ

B Three Inclusive Business Approaches

Inclusive business can be implemented along three distinctive approaches: inclusive business models, social enterprise initiatives and inclusive business activities.

- › Businesses with an inclusive business model include the BoP into their core business value chain. Commercial viability lies at the centre of the business model, and the primary type of funding is commercial returns.
- › Social enterprise initiatives can either include the BoP as part of the core business value chain or ancillary. The key mission of such initiatives is the achievement of social impact, and they are not necessarily structured to maximize profits. Therefore, social enterprises may be financially viable or may not be and often rely on mixed external funding.
- › Inclusive business activities also include the BoP as part of their business operations. However, these activities are not central to the commercial viability of the business but rather ancillary to the core business operations. Inclusive business activities are usually financed by the business, and they may contribute to the businesses financial viability but are not central to it.³⁵

35 G20 Development Working Group. (2015). G20 Inclusive Business Framework. United Nations Development Programme Istanbul International Center for Private Sector in Development (UNDP IICPSD).

C Guide for interviews with enterprises

This interview guide is meant for the local Programme staff or local consultants to conduct an interview with a company identified as having a social enterprise model / inclusive business line. Please use it as a flexible tool and adjust the questions according to the discussion with the companies.

Start by identifying the companies to interview and sending out interview invitations by email. Explain clearly in the email why you are doing the interview and how it could benefit the company (showcase their model in an international study, help to improve the inclusive businesses /social enterprises environment in the country).

TIMING:

1–1.5 hrs for each interview

WHO TO INTERVIEW IN THE COMPANY:

CEO/Head/Founder of the enterprise. Not the CSR people. Before you go to the company, make yourself familiar with their business.

INTERVIEW INTRODUCTION AND QUESTIONS:

1. Introduction to the Scoping Study and why this company

Interviewer to start with an introduction to the study and why you are doing the interview:

- › Explain who you are and why you are conducting this interview
- › Explain how the study could benefit the company
- › Explain what social enterprise / inclusive business is

You can use this information as an introduction or adapt based on the local context:

We are doing a scoping study for GIZ on Social enterprises and inclusive business in country X. This is to get an understanding of the state of social enterprise and inclusive business in the country. We are doing interviews with companies and other organisations in the inclusive business ecosystem.

You may not be so familiar with the term inclusive business. It is a relatively new concept but taking off in many countries quickly. Inclusive businesses are commonly characterized as commercially viable business lines of private sector companies

that provide scaled up and innovative solutions to the relevant problems of the poor and low-income people, the bottom 40 % of our society. Such solutions can either be through engaging those living in poverty in value chains that pay better than the market rate or selling goods and services to them which are relevant and affordable. Inclusive businesses are mostly done by medium-sized companies, they are profitable and innovative. As such inclusive businesses are good for business, good for the poor and good for society. Inclusive business is typically seen as creating triple wins. We also include social enterprises in our scoping study as they also work towards social impact while having a commercially viable model. Social enterprises are often smaller and may not operate at the scale of an inclusive business, but they are still very relevant to this study. We would be very happy to have your company as part of this scoping study as a potentially very good example of social enterprise/ inclusive business.

The interview will take about 1–1.5 hours and will be highly interactive. We will ask questions about the commercials of your business, the social impact, and the business innovations. All information will be treated confidentially. We will publish only with prior consent from your side on what we write.

2. The company and the inclusive business line

- › General info – Name of the company, Contact person (Name, Position, Email, Ph. no)
- › What does the company/project/initiative do?
- › What is the revenue model?

3. The commercials

- › When has the company been in existence since?
- › What is the current revenue of the company (can be specific or provide a bracket)?
- › Is the company profitable (clarify gross, net, EBITDAR)?
- › What is the business strategy of the company?
- › What is the company's plan for growth (for the next three years)?
- › How has the company been financed? Does it have any loans to repay? Where have they secured loans from?

4. The social impact

- › What is the core problem of the poor your company wishes to address?
- › How does the company address this problem?
- › How does the company engage with low-income people/poor people? — as consumer, — as supplier, — as worker, — as distributor, — as shareholder
- › Do you do something special for empowering women?
- › How many poor people does the company reach? Past/Now

- › How many people does the company reach that: earn less than \$ 1 a day, earn less than \$ 2 a day, are low-income women, are other disadvantaged groups (specify).
- › What are the company targets for the future in terms of reach (poor people/women etc.)?

5. Innovation

- › What type of innovations did your business apply to specifically address company risks and deepen social impact for the poor and low-income people?
 - › Business Innovations: What innovative ways are you working to increase profitability, reduce risk, and/or enhance governance structures?
 - › Technological innovations: What technology innovations (IT and beyond) did you introduce to solve the problems of the poor?
 - › Social Innovations: What innovative ways is your company using to drive social impact (including CSR)?
 - › Environmental Innovations: What innovative ways is the company working to address environmental issues and climate change?

6. Enabling environment

- › Does the company get any support from the government in terms of favourable policy/finance/concessions etc.?
- › What can the government do to better support the company?
- › What other organisations exist that support social enterprises/inclusive businesses? What support do they provide?
- › How can the enabling environment improve?

7. Other companies

- › Do they know other companies with inclusive businesses/ social enterprises models? How can we contact them? Can they put us in touch?

8. Next Steps

Interviewer to explain the following next steps:

- › That you will write up the answers from the interviewer and share the draft back with the company
- › Company to review and provide any edits for further information
- › The interview will be used in the scoping study, and their business model will be featured in the study

D Guide for interviews with organisations in the inclusive business ecosystem

The following questions are for organisations in the enabling environment/ ecosystem for inclusive businesses and/ or social enterprises such as Business Associations, Govt agencies/ ministries, impact investors, business incubators and accelerators. These are a general set of questions and should be adapted based on who is being interviewed.

Start by identifying the organisations to talk to and the right contact person within the organization. It is very important to speak to someone senior as they will have the knowledge that you need.

TIMING:

30 mins to 1 hour

1. Introduction

Interviewer to start with an introduction to the study and why you are doing the interview:

- › Explain what the study is about and why you are conducting the interview
- › Explain what we mean by inclusive business and social enterprise (using the text above)

2. Clarifying concepts

- › Have you ever heard about inclusive businesses/ social enterprises?

3. The ecosystem in country X

- › What is the state of inclusive businesses/ social enterprises in country X?
- › What is the potential for the growth of inclusive businesses/ social enterprises in country X?

4. The organization

- › What does your organization do?
- › How do you support local businesses?
- › Do you support inclusive businesses/ social enterprises? If so, how do you support such businesses?
- › Are there opportunities for your organization to encourage the growth of inclusive businesses/ social enterprises models?
- › If you don't currently support inclusive businesses/ social enterprises, would you be open to doing so in the future?

5. Others

- › Do you know of companies that have inclusive businesses/ social enterprises models? Please provide their names and contact details if possible.
- › Do you know of other organisations that are supporting inclusive businesses/ social enterprises in country X? Please provide names and contact details if possible.

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