



Start-ups, Innovation and Base of the Pyramid

Innovations Against Poverty 2012 Knowledge Exchange report

GLOSSARY

ACRONYM

BoP	Base of the pyramid
IAP	Innovations Against Poverty
IB	Inclusive Business
IRDI	Imagine Rural Development Initiative
KE	Knowledge Exchange
LG	Large grant
MFI	Micro-finance institution
NGO	Non-governmental organisation
SG	Small grant
Sida	Swedish International Development Cooperation Agency
SME	Small and medium sized enterprise

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PREFACE AND CAVEATS

Innovations Against Poverty (IAP) commenced in 2011 and this is our first 'Knowledge Exchange Report.' While IAP is well underway, about to close the fourth application cycle for grants, most grantee projects are still at early stages. IAP relies on information provided by companies in application forms, baseline forms, and in our discussions. As the entrepreneurs would be more active in implementing their project than in reporting back on their progress we realise that the data is not always robust. Further problems arise when drawing aggregations and comparisons, as projects are diverse. In order to identify trends and draw out insights, we add a large measure of interpretation by IAP team members. While based on the evidence we have, this adds further subjectivity. For all these reasons, this report should be interpreted as a provisional report on what has been learnt initially from IAP.

This report draws on the Portfolio Review of IAP, done in November 2012, which summarises information about grantees based on 29 baseline reports completed so far. In most cases therefore, when data and percentages are given, sample size (N) =29. The Portfolio Review provides more information on the nature of grantees and anticipated results, and will shortly be available at <http://businessinnovationsfacility.org/page/all-innovation-against-poverty>.

This report does not go into detail on any specific project. A Project Profile for each project contracted in the IAP portfolio can be found at <http://businessinnovationsfacility.org/page/all-innovation-against-poverty>.



1 INTRODUCTION

1.1 CONTEXT

Recently, both the business and the donor community have shown an increasing interest in Inclusive Business (IB). IB is intrinsically appealing by offering solutions to poverty that do not rely on subsidy, but rather on business drivers that can take solutions to scale.

INCLUSIVE BUSINESS

The term inclusive business refers to profitable core business activity that also tangibly expands opportunities for the people at the base of the economic pyramid (BoP). Such business ventures engage poor people as producers, suppliers, employees, distributors, consumers - or even as innovators.

As a concept it does, however, remain relatively unproven and, in practice, entrepreneurs face many challenges. Inclusive business is currently, perhaps, at a tipping point: there are many ideas and pilots, some have achieved proof of concept, and a few are expanding or reaching scale. IB is possibly where microfinance was 20-30 years ago. Therefore it is very important to share experience and speed up the learning process for everyone engaged in IB.

BASE OF THE PYRAMID (BoP)

In economic terms, this refers to the poorest socio-economic group from a global perspective. In sub-Saharan Africa as well as South Asia, over seventy percent of people live on less than \$2 a day.

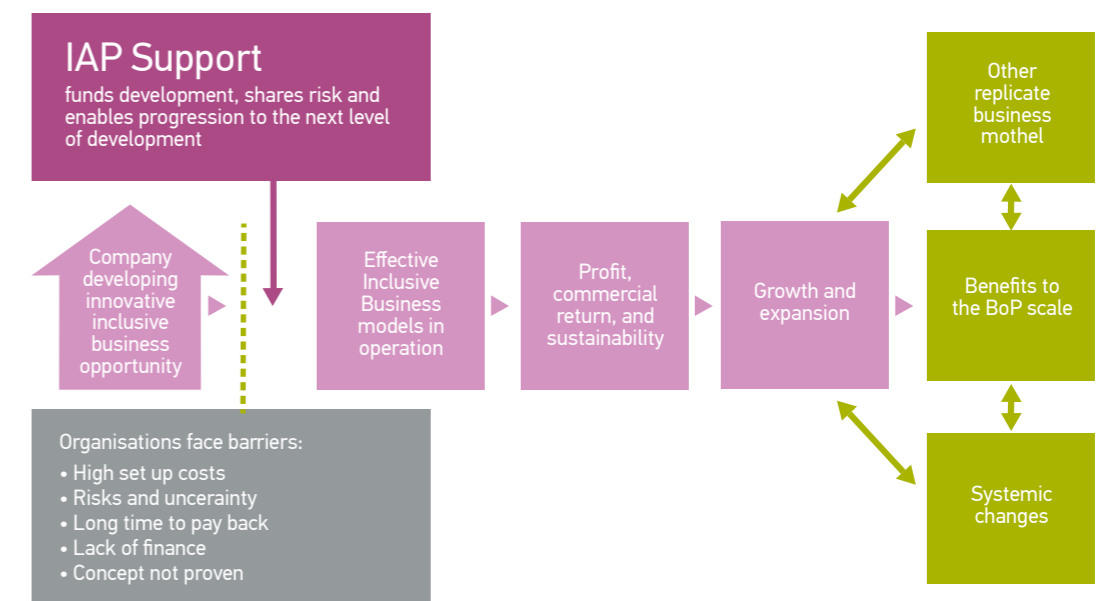
The phrase "base of the pyramid" is used in particular by people developing new models for doing business that deliberately target that demographic segment. 'The BoP' is the shorthand used to refer to the low-income people that are usually hard to reach but are engaged in and benefit from inclusive business'.

1.2 PURPOSE OF IAP

Innovations Against Poverty is designed for companies that are based or operate in a poor country. The programme functions as a risk sharing mechanism for sustainable business ventures (commercial companies or market oriented organisations) which have a strong potential to reduce poverty. It aims at catalysing innovative inclusive business models by providing early stage grant support to organisations of various sizes across different sectors and geographies.

The IAP programme was set up by the Swedish International Development Cooperation Agency (Sida) to stimulate innovations by the private sector that could lead to the emergence of new products and services that can help poor people help themselves. The logic behind IAP as an example of development funds being spent in support of IB is outlined below.

THE LOGIC OF IAP SUPPORT FOR INCLUSIVE BUSINESS



In the diagram on the previous page, the pink boxes outline the illustrative logic of a company developing and implementing an Inclusive Business model. It is assumed that effective implementation delivers commercial return, which in turn drives growth. If the IB business is successful it will result in social gain. Because of the commercial drivers, growth is self-sustaining and the business benefits can go to scale and reach many people at the base of the pyramid.

It is, however, increasingly recognised that organisations face barriers (grey box) that may slow down the IB development process or prevent a company from moving forward altogether. The aim of IAP support is most certainly not to provide any ongoing subsidy to Inclusive Business, which would contradict the logic of this approach, but to help an organisation overcome some of those barriers by sharing risk early on in the innovation cycle. The aim is that ultimately some of the IB models will expand and go to scale. Once an IB model is 'proven', donor input is no longer needed: commercial success then provides the driver for sustainability and growth.

Whilst the ultimate aim is to achieve benefits at the BoP, the full impact is not necessarily expected to be realised for the majority of the IAP grantees during the IAP project period. The IAP programme supports projects that are often in their very early stages of IB development and the most significant development results will emerge when some of the projects grow – either through direct expansion, or by other companies adopting and adapting their business model. Given the fact that lead times are likely to be around five years, this is expected to occur after the end of the current programme. Thus reporting can only estimate trajectories, and full results will need to be assessed at a later stage.

1.3 PURPOSE OF THIS REPORT

The purpose of this report is to share information on the IAP portfolio and some preliminary insights into the progress of the projects and lessons that IAP is learning. It strives to stimulate debate and supports the overall IB agenda of Sida and other relevant stakeholders.

2 INCLUSIVE BUSINESS PROJECTS SUPPORTED BY IAP

2.1 TYPES OF INCLUSIVE BUSINESS SUPPORTED

By definition, all IAP-supported projects aim to engage people at the base of the pyramid somewhere in their value chain – either buying produce from them, providing opportunities for them as entrepreneurs or employees, or increasing their access as consumers to useful goods and services. They are, or intend to be, 'inclusive'.

But beyond that, they are innovative. They are usually not well-established businesses already sourcing metric tonnes from farmers or selling to thousands in the BoP markets. They are developing and trialling new approaches. This is why they need – and qualify for – IAP support. This means the projects tend to be at early stages of project maturity: pilot stage and proof of concept. As of October 2012, 93% of projects are considered to be either at 'Blueprint and Design' or 'Early Operation and Validation' stage based on the IAP maturity indexⁱⁱ.

Small grant recipients are more heavily clustered at early stages of project maturity, particularly at 'Blueprint and Design' stage (61% compared to just 27% of large grant recipients). This is an expected result of small grants targeting the development of innovative models rather than implementing or scaling up existing approaches.

For example:

- In the energy sector, Sunny People is developing a portable solar powered mobile phone charger, while GreenLaiti is developing a gel that is intended to be a cheap and fuel-efficient alternative to charcoal for cooking.
- In the agricultural sector, two projects are working with farmers to develop moringa-based products, processing, and marketing (Imagine Rural Development Initiative (IRDI) and elementaire sarl) which are not yet well established on their target markets.
- Within sanitation and health, Sanergy is developing lavatories for slums, while Bonzun aims to develop online health information.

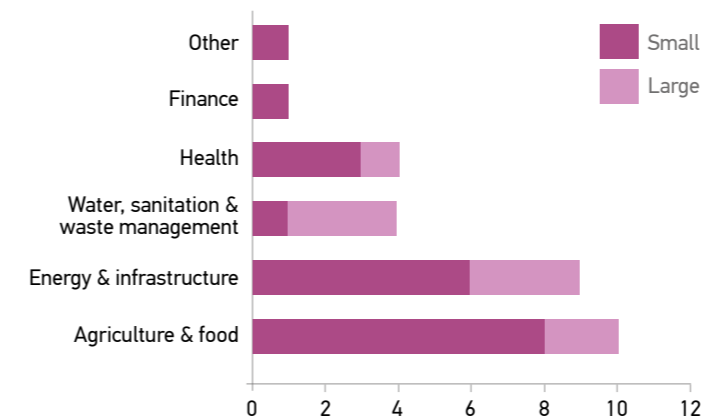
2.1.1 SECTORAL FOCUS

The sectors most commonly represented in the IAP portfolio at present are

- Agriculture & Food
- Energy & Infrastructure
- Water, Sanitation and Waste Management
- Health
- Finance

Broadly speaking, small grants are more concentrated in the agriculture and food sector, while large grants are more dispersed. The largest concentration of large grants is in energy (3 projects) and sanitation and waste management (3 projects).

SECTORAL FOCUS OF IAP GRANTEES, OCTOBER 2012



Giving each project a strict single-sector label however, can be misleading, since a number of projects straddle sectors. This is to be expected, since innovation very often happens in the overlap of sectors. Waste management initiatives crossover into energy generation in the case of W2E and Greenway. Makit's Ruby Cup (reusable menstrual cup) links to both health and waste management. Many projects across the sector harness mobile and internet technology, as the figure below shows. Indeed, in the case Finaccess, this could be considered as a project in the financial sector (as in the analysis above), or as an ICT project.

2.1.2 INVOLVEMENT OF PEOPLE AT THE 'BASE OF THE PYRAMID'

The beneficiaries are generally low-income people: they may be urban or rural, but are not well networked into modern urban services. The majority of the projects (66%) engage people at the BoP as consumers of goods and services as primary beneficiaries. The businesses are producing and selling goods or services that are useful to households and usually inaccessible, unaffordable, or not of appropriate quality. These include

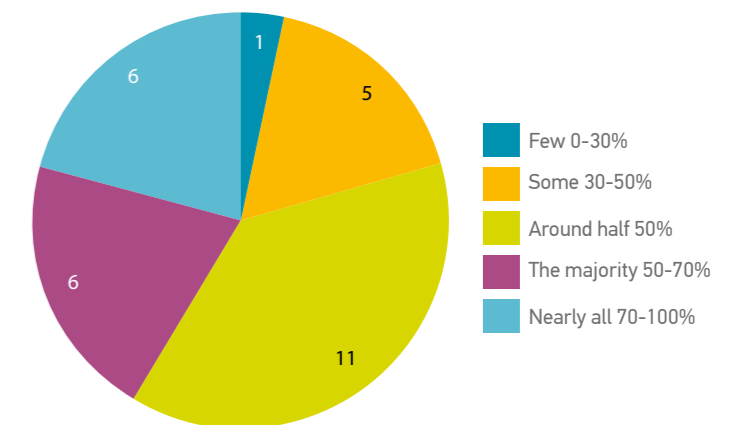
solar powered lighting and charging, health care, sanitation products and services, food additives, cooking fuel and stoves, weather forecasts, financial services, and agricultural advice. In most cases, low-income people will be buying these services at low-cost, although in a few cases the revenue model is based on other fees.

Around a thirdⁱⁱⁱ of the projects benefit the BoP in a different way: providing opportunities for them as producers or entrepreneurs to earn a living. Some agricultural projects are helping farmers sell their produce – such as Lotus Foods (with rice farmers) and Eco-Micaia (with baobab producers). Two waste projects (Zanrec Plastics and Waste Ventures) are most directly benefiting waste-pickers, who can thus gain a livelihood, although the service will also provide a positive environmental impact at community level.

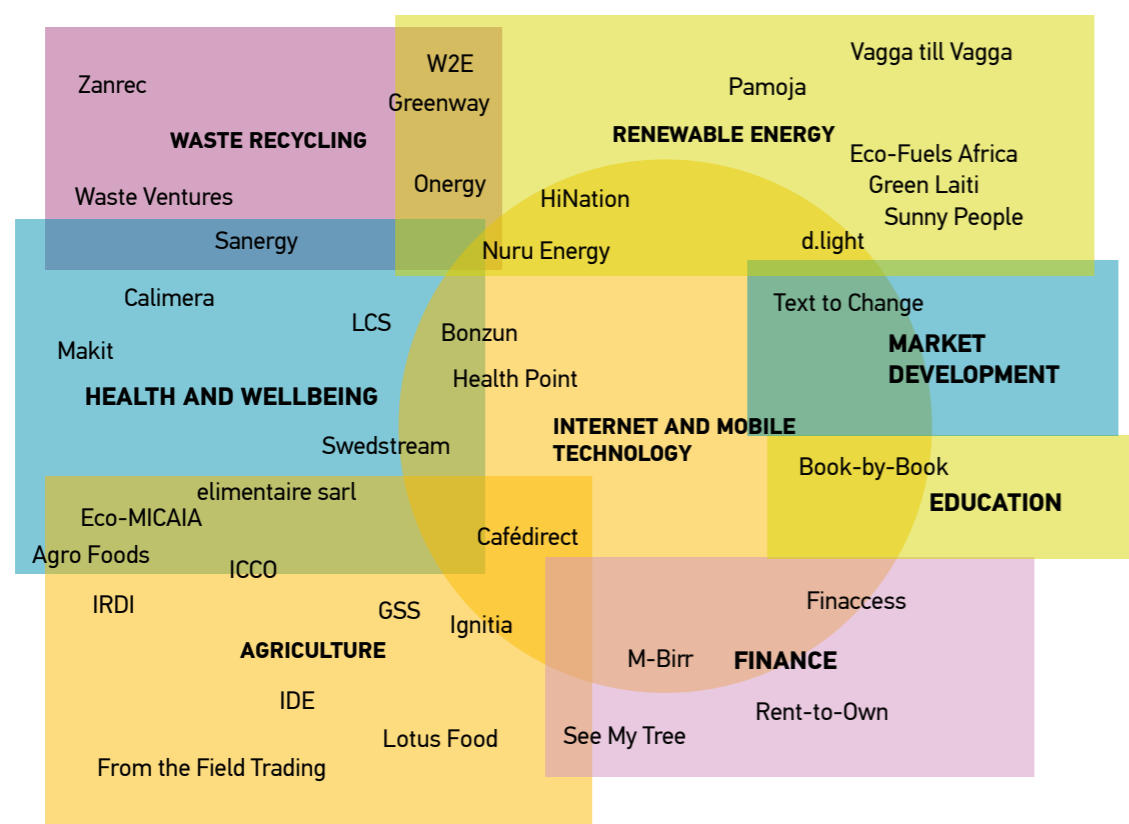
Many projects, however, aim to benefit both consumers and entrepreneurs at the BoP. Most of the energy-focused projects – Vagga till Vagga, Sunny People, Nuru Energy, Greenway, Hi Nation, GreenLaiti and W2E – are structured so that local entrepreneurs will also gain income, in addition to benefits to consumers.

As can be seen in the figure below, women feature strongly amongst the intended beneficiaries. While 11 projects expect to benefit men and women equally, even more (12) expect women to form the majority or almost all of their beneficiaries. For example, Makit's Ruby Cup and Swedstream's ultrasound system specifically target women and girls of reproductive age. While HiNation and GreenLaiti expect more than half the users of their lights and cooking fuels to be women. Only six projects expect to benefit men more than women, most of which are targeting farmers.

WOMEN BENEFICIARIES



PROJECTS AND SECTORS OF IAP GRANTEES



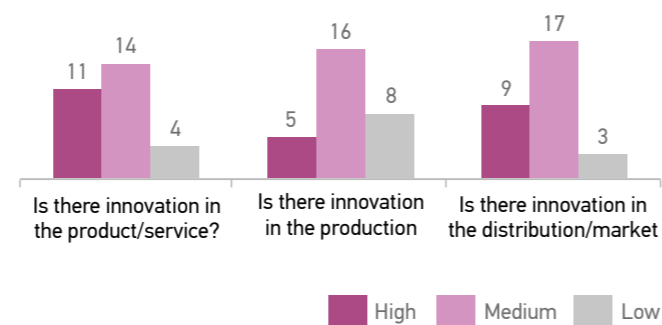
2.1.3 INNOVATION: WHAT DOES IT LOOK LIKE IN AN IB CONTEXT?

Innovation does not mean invention, but is more about creative solutions – taking ideas and combining them in new ways to create new products, services and business models. Developing a business model that works on low income markets often requires innovative ideas^{iv}.

Sometimes the innovation is the product or service itself: e.g. Greenway's waste to heat converter is an innovative technology that captures heat released from cooking and converts it to electricity that a household can use for lighting.

But technological innovation is only a small part of innovation for IB. Many projects are adapting existing products and innovating in other aspects of the business model, particularly on how distribution to BoP markets occurs. The figure below outlines the main areas of innovation for the current projects.

MAIN AREAS OF INNOVATION



As the above figure shows, innovation can be found anywhere in the business model. We particularly look for innovation in the type of product/service, and/or how it is produced, and/or how it is distributed and marketed. 18 projects score 'High' in at least one of these areas, but none score high in all three.

Overall, high levels of innovation occur most commonly (in 11 projects) in the product or service. This includes bug farming in ICCO, financial systems in Finaccess, internet exchange in Cafédirect, nutritional products in elimentaire sarl, and energy services in a number of projects.

However there are also 9 projects scoring high on innovation in the distribution model. These include some of the same projects that score high on the product/service level (e.g. Finaccess, elimentaire sarl) and some others (e.g. Pamoja, Makit).

Innovation in distribution is about finding new networks and models. d.Light is exploring new ways to market solar power by linking with micro-finance networks. Sanergy is testing how to make lavatories in slums acceptable for users and profitable for micro-entrepreneurs. In these cases the product certainly must be adapted and affordable for the BoP market, but the greatest innovation is in how marketing channels, consumer financing, and revenue streams are put together^v.

There is also variability in how the companies themselves embrace learning and innovation. An innovation study done in 2011^{vi}, which also included the IAP large grantees at the time, indicates that social business ventures that have a strong focus on solving social problems using commercial models are more likely to succeed than those starting out with a general motive of making 'good', social impact^{vii}.

This study also showed that companies with the highest innovation capability are those using an open innovation process. Even more importantly – these companies address the question of how to create market demand.

There are two main areas where IAP companies would benefit from further analysis and the adding of more resources: Strengthening of knowledge acquisition in the research and development process (for example connecting to more experts and seeking networks internationally, which can help solve a problem) and not getting locked into a particular product or services design too early.

2.2 WHAT KIND OF COMPANY IS SUPPORTED?

Around the world, companies developing IB vary from the start-up and the social enterprise, to the well-established domestic conglomerate and the multinational^{viii}.

In the IAP portfolio, the majority (79%) are start-up businesses, for whom their inclusive business model is their core business. For example, Makit is a start-up business and the development of the menstrual cup is their core business operation. Similarly, Nuru Energy is a start up business, although expanding and increasingly well known. Developing, manufacturing and distribution of portable lights and PowerCycle recharging mechanisms to India make up the core business operation.

There is some variation in organisation type. For example, ICCO is an NGO-led project where an established organisation

is looking to develop cricket farming as an inclusive business, supported by the organisation but which remains external to it: the 'business people' will be farmers and distributors. Text to Change is an established NGO that has established a separate entity, a Ugandan registered company called Research Africa, which manages the IAP funded project. GSS, with its local sourcing initiative, is an example of an established medium sized company with an IB venture that is an addition to core business.

The focus of organizations in the IAP portfolio can range from for-profit companies implementing inclusive business models to NGOs that are implementing commercially sustainable projects. The programme uses the following categories as definitions:

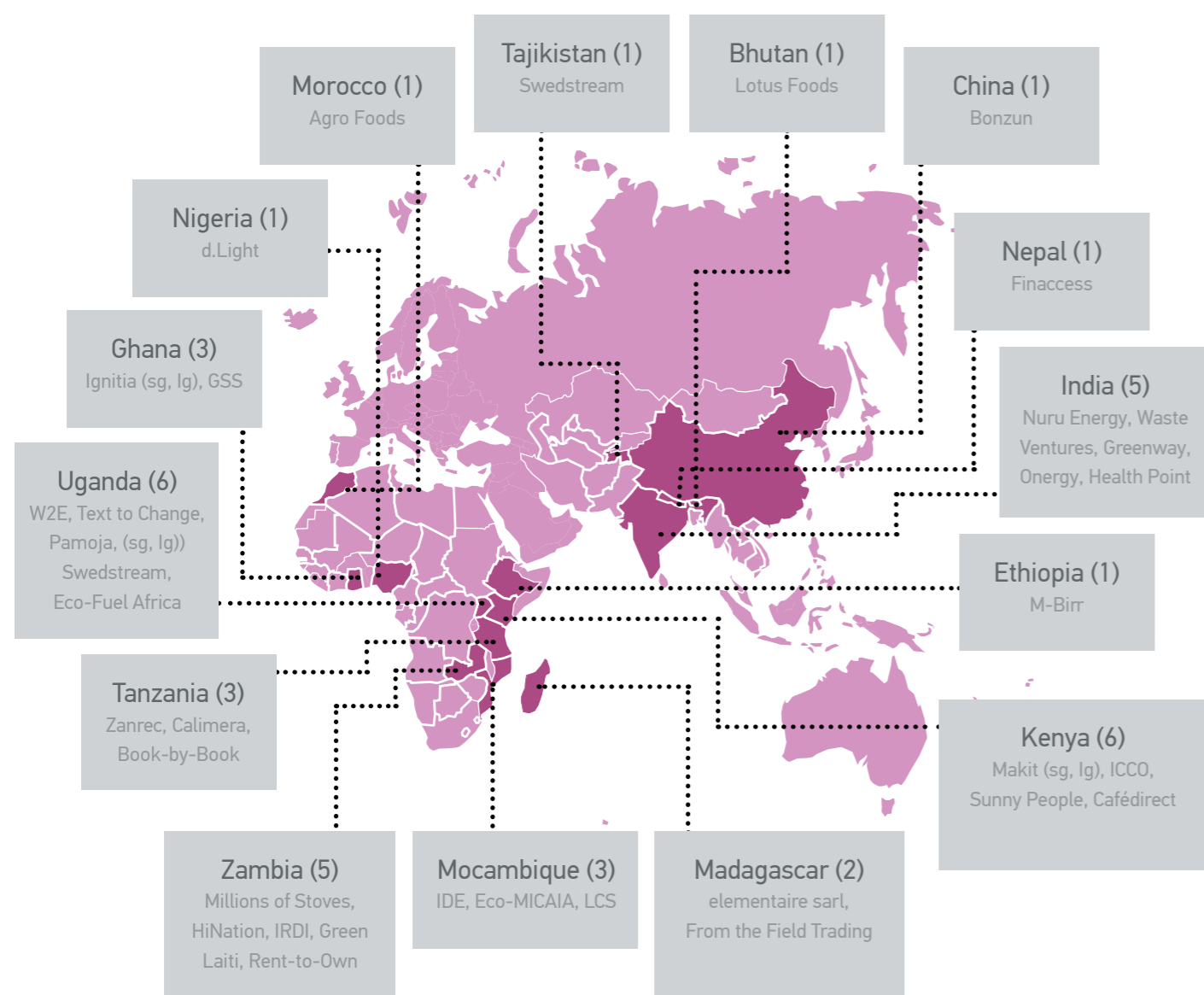
- **Social enterprise** – an organization that applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximising profits.
- **Commercializing NGO** – NGOs that are establishing companies by spinning off an existing programme into a commercial business.
- **Commercial profit-making business** – a corporation that is intended to operate a business, which will return a profit to the owners. These grantees are implementing business models that benefit people living in poverty.

Based on these definitions, currently 79% are considered as Social Enterprises, 10% are Commercialising NGOs and 11% are considered as commercial profit making businesses.

So far IB projects are supported by IAP in 14 countries (see map). The location should not be interpreted as a map of IB opportunities or activity, but rather a broad reflection of IAP priorities to date. Experience suggests that the number of applicants received from a country correlates fairly strongly with IAP investment in a launch event or other marketing.

For most large companies the issue of the additionality of the IAP funds becomes a key stumbling block. For many of these companies, providing technical assistance to help them in the development of their IB initiative may be more appropriate.

PRIMARY COUNTRIES OF OPERATION



3 CHALLENGES OF COMBINING INCLUSIVE, INNOVATIVE AND COMMERCIAL BUSINESS

3.1 WHAT OBSTACLES TO COMMERCIAL VIABILITY AND WAYS FORWARD CAN WE SEE IN THE IAP PROJECTS?

All the businesses have high hopes and ambitious plans. The reality is that only a proportion will reach break-even and become profitable and a smaller proportion still will be able to scale up. This is what any private equity investor would expect, let alone an investor that focuses on business models at such an early stage of development as IAP.

Projects must have clear potential for viability – and many applicants are rejected because they do not – but they undeniably have far to travel. As shown in the logic diagram at the beginning of this report (page 5) the aim is to select projects that both have a good chance of achieving viability and need IAP support to help them progress.

It is too soon to provide commentary on how far and how fast the projects progress with IAP support (only the very earliest and shortest projects have completed their IAP funded activities). Some clear patterns are, however, already emerging around the challenges that they face on this journey, and the solutions they are trying. These include:

- i. **Need for external agreements, partnership arrangements, and interaction with government;** these can make or break a project at an early stage.
- ii. **Restrictive policy and regulatory environment:** cumbersome rules and regulations exist to various degrees according to context, but are a common feature in many underserved markets.
- iii. **Additional access to finance;** beyond the IAP grant, businesses still need additional finance to grow, whether from internal resources, grants, “soft” capital or commercial finance.
- iv. **Business management skills;** lack of business expertise, including business planning, is a common problem in the SME sector, and no different in the IAP portfolio.
- v. **Innovation management skills:** Development of the business concept in isolation of the competitive context is likely to put solutions at risk when going to scale.
- vi. **Translating a ‘good product’ into active consumer demand.** This challenge is often described as ‘low consumer awareness’ but is actually a bigger challenge than just awareness raising. It is about product design, marketing, and listening to consumers

- vii. **Distribution channels that reach BoP consumers;** by definition these consumers have low purchasing power, low risk tolerance, low information and are hard to reach, either geographically or figuratively.
- viii. **Cost control:** keeping costs down is not on its own sufficient for success at the base of the pyramid, but it certainly is necessary. It probably does not always get the attention it deserves.



3.1.1 EXTERNAL AGREEMENTS, PARTNERSHIPS, RED TAPE AND INTERACTION WITH GOVERNMENT

Twenty out of 29 IAP grantees identified a constraint around external partnership or regulation in their top three constraints at baseline. Formal regulations can have a substantial impact on IB opportunities, though this varies widely from sector to sector. Regulation will, for example, be a major issue in ventures linked to financial services, such as Finaccess and M-Birr.

In some cases, the IB venture works either through or alongside civil servants. Swedstream’s ultrasound is intended to be used by local health workers, while IRDI’s private Farm Business Advisors are in fact a substitute for state extension, which has shrunk dramatically in recent decades. In such cases, arrangements with (local) governments are critical, because governments can open doors to collaboration over such business developments at scale, or can simply block progress.

The same applies to waste-management and sanitation; even if local government is not effectively providing the service, the business directly crosses their jurisdiction and needs their sanction. Whatever the nature of the engagement with government, delays caused by dealing with bureaucracy are a common challenge.

PARTNERSHIPS AND REGULATION AS PROJECT CONSTRAINTS

	No. of projects responding
Projects identifying external partnerships and regulation as one of their top three constraints	20
Specific constraints noted:	
• Need partnerships with government	8
• Need better partnerships with others	8
• Policy and regulatory environment are restrictive	7

N = 29. Up to 3 responses per project were invited, based on a drop-down list of around 20 constraints, plus an 'other' option for self-defined constraints.

The need for other external partnerships are underlined by several IAP grantees, with Makit noting that there are large networking benefits stemming from engaging in funding activities, including social entrepreneurship competitions, which in turn lead to Makit's first sale in South Africa. Having the right partnerships in place before starting the IAP project has been imperative for many projects (e.g. Text to Change – mobile network operators in East Africa, M-Birr – Ethio Telecom and a number of micro-finance institutions (MFIs)).

3.1.2 ACCESS TO FINANCE

Issues around access to finance were identified by 17 out of 29 IAP grantees within their top three constraints, in their baseline reports, with several identifying two or even three issues. It is clear that the IAP grant is just one step on the journey. Many of the grantees do not yet have the robust business plans and proof of concept that is needed for "soft" capital or commercial financing. Yet accessing grant resources is hard work, and internal resources are limited in such small companies. Many IAP grantees spend a lot of time on trying to access finance. For instance, Text to Change is proactively focusing on marketing and outreach activities to connect with potential investors, by speaking at relevant conferences and events, in addition to having joined several international business plan competitions to try to gain access to more funding.

For entrepreneurs active in the field, focusing on operational set-up, even when knowing where to find finance, can be a major challenge. This is one of the reasons that IAP has co-produced a new database of sources for inclusive business^{ix}, to help IAP grantees and others, though much more is needed to tackle financing needs.

ACCESS TO FINANCE AS PROJECT CONSTRAINTS

	No. of projects responding
Projects identifying access to finance as one of their top three constraints	17
Specific constraints noted:	
• Need access to commercial finance (debt, equity)	10
• Need to access further grant support (beyond IAP)	7
• Insufficient internal resources and finance	7

N = 29. Up to 3 responses per project were invited, based on a drop-down list of around 20 constraints, plus an 'other' option for self-defined constraints.

3.1.3 BUSINESS MANAGEMENT SKILLS

Fourteen IAP grantees did not have a business plan at the time of submitting the baseline report. This includes all recipients of small grants and one recipient of a large grant. It is noticeable in the application process that some applicants struggle to provide commercial data and estimates. IAP intentionally supports these early-stage businesses in order to allow them to test promising innovative ideas, but the concomitant of that is that many do not have well developed business skills. Overall, albeit with exceptions, knowledge of what is happening elsewhere in the sector and trends in competitiveness also seem to be lower than could have been expected.

Many investors and funds have over time developed various models for providing technical support to build capacity in their investees and add to the value of the investment. The same applies to IAP, where the need for advisory support to grantees has been recognised and will now be applied on a greater scale than was originally envisaged.

Eco-Fuel Africa was the first project where it became clear that an applicant had an innovative business idea, but would benefit from support in developing a formal business plan to ensure they would get the most value out of the IAP grant. Business advisory support through Challenges Worldwide was trialled earlier this year and the advisor's report provided enough confidence for the team to continue with the IAP grant process. Similar support for an energy project is on its way.

FEEDBACK ON MENTOR FROM ECO-FUEL AFRICA

'We have spent the last three weeks working with Mr. Jerry Conwyn, the consultant you sent to us and as you advised, Jerry helped us review the IAP budget and made new recommendations that we have incorporated in the revised budget attached.

'We're glad you sent us Jerry because he helped us to reorganize our priorities, polish our 3 year business plan and design a marketing strategy which we hadn't even considered.'

This general lack of business skills and commercial understanding has been confirmed through field visits conducted for a number of small grant projects. Examples of areas where additional support and assistance would be needed include business planning, tax and legal help, facilitating partnerships with micro-finance institutions and defining pricing models. In many cases such support will be key to maximising the impacts of IAP support as well as ensuring businesses become sustainable and successful.



Additionally hiring and retaining the talent of managers is, or is likely to become, a challenge as the enterprises grow. This is a commonly identified challenge for social enterprises as they scale up^x. In some cases grantees have requested IAP funds to pay core staff during the business development phase in order to ensure retention.

To date, only one IAP grant has been awarded in the education sector, including applications for business incubators. The main reason is the lack of market-based approaches and applicants

proposing business models that do not include governments as buyers. With consumer models for the base of the pyramid, it is very difficult to find pricing models that allow for a profit in this sector. This is not unique to IAP applicants – there are few education projects targeting the poorest that have succeeded as inclusive businesses^{xi}. What is currently missing is the combination of business skills in this sector and a willingness by most governments to procure education and business incubation services from private providers.

Many IAP projects and inclusive business rely on partners to represent them, to generate sales and care for the important after-sales aspects as well. LCS ProMotion International has realised this and have produced a series of practical guides for "How to be a Manager", "Start a SanPlat Project", "How to Work with People", etc. These guides are published online and free to copy for their partners and the general public.

3.1.4 INNOVATION MANAGEMENT SKILLS

Innovation management is not only a task for technical experts. It will involve nearly everyone in a start-up, since it is about how to develop the company's customer proposition and how to ensure that this will have competitive advantages. It is a process often associated with large corporates, but small companies will also benefit from understanding how innovation can be managed. With the right understanding of the process, the company can, for example, ensure that user and customer feedback is included at the optimum point in the development process and aspects concerning quality and sustainability. The agility to be able to change a proposition based on customer demand or user feedback will be key to commercialisation.

A structured innovation process emphasises that early stage research must be given plenty of time and that development typically goes through a number of re-iterations with more or less drastic changes to a product or to a company's approach to going to market. That does not mean failure, but should rather be encouraged. It does however point to the difficulty of sticking to a plan agreed between Sida and the IAP grantees at an early innovation phase.

Another reason to pay attention to innovation management, which is particularly important when targeting low income markets, is to ensure a low cost design and a cost efficient route to market. Discussions with some IAP companies show that many rely mainly on reaching high volumes to get the cost of products down. But this is normal economies of scale, not evidence of success in designing a low cost product.

PROPOSED ROUTE TO MARKET TO REACH BOP CONSUMERS

Project name	Product	Target market	Proposed route to market
Energy-related projects			
HiNation	Hi-light: solar powered lighting and charging	Households with mobile phones, businesses requiring lighting in Zambia	Entrepreneurs selling mobile charging services; businesses requiring lighting. Possibly micro-finance institutions.
d.Light design	Solar powered lighting	Rural families in Nigeria	Innovative consumer-financing to allow gradual payback
Sunny People	Mobile charging	Rural mobile phone owners	Rural entrepreneurs operating offering charging services
Nuru Energy	Lighting plus pedal-power recharging	Rural households in India	Village level entrepreneur
Vagga till Vagga	Biomass pellet stoves	Zambian households	To be clarified, probably local entrepreneur
Greenway	Waste to heat converter	BOP markets, India and Burkina Faso	Local sales and assembly team
GreenLaiti	Cooking fuel gel	Zambian households, initially urban, later remote	Networks of locally employed women and youth
Agriculture-related projects			
Cafédirect	Online farmers' platform, advice from other farmers	Farmers in Kenya	Online platform
Ignitia	Weather forecasts via text	Farmers in Ghana	Sales to Farmers Associations and agricultural companies for yearly fee
IDE Farm Extension	Extension services and agri products	Farmers in Mozambique	Franchisees: independent Farm Business Advisors
Health, sanitation, water, nutrition related projects			
Makit	Menstrual cup	Women and girls living in poverty in Kenya	Network of women vendors
Swedstream	Portable ultrasound	Pregnant women in poor areas of Tajikistan & Uganda	Community health workers
Bonzun	Digital health information	Pregnant women, doctors, midwives in China	Internet platform
Sanergy	Lavatories, sanitation	Urban dwellers in Kenya	Local franchisees
elimentaire sarl	Nutrient-rich food additive	Undernourished households, Madagascar	Domestic companies producing school meals or baby food; therapeutic food producers, local NGOs.
Calimera Solokraft	Drinking water (bottled)	Rural households	Tbc: franchisor operates factory and distributes
Financial sector projects			
Finacess	Mobile financial services	Mobile phone users (unbanked) in Nepal	Mobile banking agents
M-Birr	Mobile money service	Mobile phone users in Ethiopia	MFI institutions, local grocers & agents

Blue font indicates those using a local entrepreneur for distribution. Green font indicates a micro-finance network. Purple font indicates an online platform.

3.1.5 ADAPTING TO CONSUMER NEED; CREATING EFFECTIVE DEMAND

A fantastic innovation will not secure effective consumer demand if it fails to match multiple consumer preferences. This is well known in the world of Inclusive Business and applies even more so to the IAP portfolio, where product innovation is relatively high, and where some business owners are in high-income countries, distant from the end consumer. Finely detailed understanding of consumer response and an enduring process of modification and adaptation in response is essential.

Lack of adaptability to the BoP market is one reason why some projects do not score sufficiently highly to be awarded a grant by IAP. For example, if a solar panel project does not have a strategy to address theft in rural areas, the Selection Committee will be wary of allocating IAP funds. Another example is a company wanting to develop an online marketplace to help small-scale producers market their products, but focusing mainly on the development of the platform rather than the actual marketing strategy to enable SMEs to reach customers. More than one entrepreneur using online platforms is making this mistake; a proposition based on the Internet delivery of services with negligible elements of off-line marketing and promotions to attract users.



For existing IAP grantees, we anticipate that some projects will not manage to adapt their product sufficiently to match affordability and preference, while those that do will thereby gain a major source of competitiveness. There are many examples within the portfolio of this process of adaptation to consumer preference, such as illustrated below.

Examples of adaptation to match consumer needs and preferences

Ignitia is looking at how to use icons instead of words in the weather forecasts that it provides for Ghanaian farmers via SMS; M-Birr, in Ethiopia, is adapting its technical infrastructure to allow Amharic and Tigranic words to be written in the local characters, not Latin letters.

Nuru Energy is adapting several aspects of their lighting product as they spread from Africa to India, in response to different consumer needs. For example, in India they focus on solar charging rather than pedal-powered charging. They have learned that Indian products need to operate indoors more so than in Africa. In response to this they came up with a mini 360 light which is different to other market products and has so far been positively received.

Sanergy, developing sanitation models in urban slums in Kenya, has identified that profitability is directly impacted by user preference of lavatory design and daily cleaning costs: off-the-shelf squat plates do not meet the functional needs of users, particularly women. The IAP grant is being used to help them develop appropriate, durable and hygienic product elements.

3.1.6 CHANNELS TO REACH THE BOP MARKET

Often, the most important aspect of the business model that needs innovation and adaptation is the route to market - how to get the product to the consumer and the consumer, with their money, to the product. For the majority of IAP projects that aim to engage people at the BoP as consumers, this is a key issue. Some have not yet developed the routes to market for their innovative products, and this is the biggest weakness to date in their model. Others are already innovating and testing new channels for reaching across the 'last mile' distribution to the BoP.

The table to the left highlights the main routes to market that are used or proposed in the portfolio.

The most commonly proposed route is a **local entrepreneur or franchisee**. This is very common amongst IB projects: the idea is that a local person who is well established in the community, but also has entrepreneurial spirit, acts as the touch-point linking the consumers and the product network. They not only sell the good or service, but educate consumers and provide pre and post sale support. Their costs are minimal and the margin they make can be sufficient to provide a decent and growing income.

For example:

- Makit aims to establish a network of women vendors who will sell the menstrual cup, thus earning a living while also educating consumers in menstrual hygiene.
- Sunny People is developing mobile phone charging products and services. Local entrepreneurs buy chargers on hire purchase and earn income by selling charging services. It is estimated they can earn 6000 KSH per month.
- M-Birr in Ethiopia, who in their mobile banking business model see the need for not only partnering with local micro-finance institutions, but also teaming up with a network of rural grocers and other agents used to handling cash.

There are common challenges in implementation of a village entrepreneur model^{xii}, particularly if the risks and capital costs of the market network are not otherwise covered. In addition to this the entrepreneurs need skills in customer care, product servicing or managing accounts^{xiii}. Progress in developing these models will be critical to success.

Another common solution is to tap into existing networks that already extend into the BoP, particularly the networks of micro-finance institutions.

- Finaccess in Nepal and M-Birr, soon to launch their mobile payment services, both start their marketing efforts by training agents of their micro-finance institution partners. This will lower their costs for signing up new clients, while enabling these community partners to extend their own reach and offer.



- d.Light is looking at a new distribution model for their portable solar lights, that links up with micro-finance networks to extend reach.

Another strong reason to tap into micro-finance networks is not only their existing reach, but that they can help consumers to finance their purchase, spreading the expense of a large payment over a longer period of time. Consumer financing is a common challenge and requires a degree of adaptation at the BoP level.

Adopting a different approach, Rent-to-Own in Zambia is offering equipment to farmers, carpenters, shop owners, bakeries, restaurants and other businesses on a hire-purchase basis. In the past, the company was facing challenges around people not being able to pay the loan instalments. The company is now looking to adapt the model by granting periods of grace so that customers do not have to make a payment in the extreme of the hunger season, when cash is most scarce. For example, for water pumps the first 3 months are free and for maize mills there is a period of grace for three months in the middle of the 11 month payment period when farmers are least likely to have cash on hand.



3.1.7 COST MODEL

Controlling costs is fundamental to long term viability. It is important to change the mindset (if it still exists) that inclusive business is 'just' about producing cheaper versions of a product so they can be afforded by the masses. Nevertheless, there is no doubt that trimming costs to ensure affordability and deliver a profit margin is a common challenge.

During a pilot phase, unit costs are usually high but the pilot phase needs to deliver a model that can operate at low cost when the company scales up. Some intend to develop mass production to secure economies of scale (for example mass production of the silicon Ruby Cup). Others use mobile networks to ensure low cost. Some projects include additional revenue streams, such as carbon finance, to supplement direct user fees.

As a generalisation, however, attention to cost control appears to be lacking in projects at present, and more attention to cost structure will be needed in order for many projects to be produced to a viable scale. For example, some companies do not have the means to manage costs or procedures to detect the difference between actual costs and budgeted costs.

A related challenge that many IAP grantees face is the approval and willingness to pay of the end-user and/or buyer. For instance, if end-users (farmers) in Ghana do not trust or use Ignitia's product and the buyers (farmer associations) do not provide sufficient information and education, there is a risk that results will amount to nothing in the short term.

SUPPLEMENTING USER FEES WITH CARBON REVENUE
Waste Ventures, incubating solid waste management companies in India, aim for additional revenue streams in the long term to supplement fees charged for door-to-door waste collection. These could include sales of recyclables, compost, and biomass briquettes and use of carbon credits.

4 FINANCING NEEDS, POTENTIAL RESULTS, AND THE ROLE OF IAP

4.1 WHAT IS IAP FUNDING USED FOR?

IAP funds are either given as small grants (up to €20,000) or large grants (up to €200,000). Reflecting the early stage of maturity of most of the projects, the most commonly identified area supported by IAP grant support falls under 'pilot activities' (see below).

MOST COMMON USES OF OF IAP FUNDS



Often the costs cover some basic staff salaries, as well as cost of setting up new operations, bringing in expertise and training stakeholders, as can be seen in the examples on this page.

D.LIGHT SUMMARY ACTIVITY PLAN

Building on their existing product solutions that offer off-grid portable lighting, d.Light plans to pilot a new solar product targeting low-income households based on innovative consumer-financing (PAY-GO):

- Milestone 1: Design product (software and hardware architecture)
- Milestone 2: Develop training and marketing material
- Milestone 3: Sell all pilot products by June 2013

SANERGY SUMMARY ACTIVITY PLAN

As part of Sanergy's objective of building and scaling commercially and sustainably viable sanitation infrastructure in the slums of Nairobi, they are using IAP funding to support the product development of durable and hygienic toilet design elements to ensure hygienic structure, local production and customer satisfaction.

- Milestone 1: Develop requirements and design concept (from focus groups, broader studies, mock-up designs, etc.)
- Milestone 2: Design and test prototype
- Milestone 3: Confirmation and validation of prototype (including manufacturer identification and plan)

4.2 IAP'S ADDITIONALITY AND CONTRIBUTION AS ONE PART OF THE BUSINESS JOURNEY

Any donor organisation that disburses grants has to ask a question: what difference did those funds make? What additional value did they create, above and beyond what would have happened anyway? This is known as 'additionality' – easy to debate, impossible to measure.

Against this background we aim to identify indicators of IAP's additionality and in which projects it is high or low. We may be able to say that IAP contributed to a successful (or unsuccessful) evolution of a business, and define 'how' but probably not 'how much'. It would be wrong to attribute all business success as a result of IAP for two main reasons:

- The journey to business at scale is long – several years. There will be many partners along the way, all of whom contribute to success, whether with finance or other input. IAP finance, even a €200,000 grant, is unlikely to be the only concessional finance needed.
- What would have happened without IAP support is difficult to establish. Because IAP grants are given at an early stage, the most immediate and attributable impact is likely to be internal, affecting the pace and nature of the company's 'IB journey'. However, tracking this requires capturing company actions and situation at baseline and later, and may be difficult to do for some companies. Since there is no formal control group, the question what would have happened without the IAP support is a matter of conjecture. In some cases, though, the project would probably have found an alternative and still proceeded.

THE LONG JOURNEY TO SCALE – NURU ENERGY

According to Nuru Energy, one of their main lessons learned in India so far is that their initial measure of success does not need to be "how many" products they sell, but rather it is essential that people are buying the product at a price that is right. This is what matters for long-term success. Expansion and the reaching scale in numbers sold will take a long time to achieve.

Nevertheless, there is emerging evidence of clear IAP additionality:

- Fundraising is a costly and difficult process for start-ups and small companies. Grants often come with many restrictions and applying for them is a significant burden. If IAP had not granted them funds, many of the grantees would not necessarily have been able to find others. In the applications the companies/organisations all stated how difficult it would be for them to start or continue the project due to difficulties to access finance. In a few cases the grants have been the absolute 'do or die' decision and, in some cases other funders have come in only because IAP did, which would have been less likely if IAP had not.
- There are few funds working in this space, prior to proof of concept. By funding early work, IAP can help a business develop and demonstrate the model to the point where risk is lowered, and other investors can come in for the next phase. High additionality derives from filling in one rung on the ladder of support.
- Beyond the financial value of the grant, the credibility of IAP is of high value to some. Businesses operating at an early stage do not have the track record that is required to gain traction with others or meet due diligence criteria. Having a 'stamp of approval' via association with IAP helps. This may help leverage other funding, or may help secure other types of support and partnerships. At least 3 projects have mentioned that IAP grant helped unlock further assistance from business angels and philanthropic foundations. An example of other support is W2E, who has been able to attract a highly respected mentor to help them develop their business, thanks to the credibility that the IAP support denotes.

THE VALUE OF IAP FUNDING FOR FURTHER ACCESS TO FINANCE

IAP additionality stems from meeting a 'gap in the market' for high-risk early stage finance.

"...most commercial funding and grants are focused on implementation and scaling rather than new product development. The IAP facility is unique in its ability to provide early stage support and funding, including critical product development support [...] IAP funding will be catalytic in raising additional commercial and grant capital to scale up..."; Sanergy Application Form

"So far private investors have shown great enthusiasm for the business concept but are hesitating to invest the amounts of money that is needed to finance the commercial pilot. Before a commercial pilot is done, they argue, the risk is very high for an investor. If IAP would support the commercial pilot and share the financial risk, investors have indicated that they are likely to provide additional financial means. The investors would also value the due diligence done by IAP to ensure that this project has potential enough to be financed by Swedish tax payers money". Sunny People, Application Form

4.3 WHAT RESULTS MAY BE EXPECTED?

As the Preface explains, it is too early in the lifetime of IAP to provide meaningful insights into actual results of the grant-supported projects. Many will only provide tangible results in years to come. IAP does not necessarily select projects with high potential to be turned into flourishing businesses by end of 2013, but rather aims to stimulate innovation and achieve sustainable development impact.

It still is worth looking at the types of results that we are tracking at the project and portfolio levels, and summarise some of the trends emerging to get a better understanding of what impacts could be expected from inclusive businesses supported by IAP.

When projects are scored during the assessment and selection phase, and monitored during IAP engagement, the main issues that are assessed are potential or actual:

- commercial viability
- development impact: including direct BoP reach as well as knock-on effects/ systemic change and environmental results.
- innovation in Inclusive Business.

Innovation is a characteristic rather than a 'result' and was covered earlier in Sections 2.1.3 and 3.1.4. A project may have more impact on other firms because it is innovative and thus it sparks replication. If so, that is a 'result' that is captured under systemic change (part of development impact). Commercial and development potential or results are assessed at the outset and monitored throughout the IAP engagement period, particularly through the Baseline and Completion Reports.^{xiv}

This framework is heavily dependent on self-reporting by the grantees which presents severe limitations. Knowing what a business estimates to achieve is not the same as knowing whether it is likely to achieve it. Some organisations may be able to report the number of BoP customers or entrepreneurs reached, but nothing further about impact on their lives. This can be due to their commercial need being based on metrics of volume rather than on numbers of suppliers. For most projects data that is reported cannot be externally verified.

Our aim is to track changes in results over time for each project, to answer the question: is it on track to reach viability and to deliver development benefits? We also draw comparisons across the portfolio to gain an overall picture, though in full awareness that projects are very different (in stage, type, organisation, location and in 'what counts as success') so comparisons are better for describing the portfolio than prescribing what counts as 'best.'

To help provide high-level pictures of portfolio performance, we have constructed 'indices'^{xv} of:

- commercial viability
- potential development results
- potential environmental impact
- degree of innovation.

The latter three are all combined into one index called 'Impact index'.

4.3.1 COMMERCIAL VIABILITY

The focus of our **commercial viability analysis** is to understand a project's likelihood to reach commercial viability. Only if a project reaches viability, can it achieve its other development impacts, so viability determines impact and sustainability.

On the other hand IAP has not established firm target levels for return rates, as would commercially focused venture capital funds. Instead the term commercial viability reflects the potential and likelihood of the project being able to break even in the short to medium term, and to what extent it is likely to be operated on a commercially sound footing.

A number of indicators are analysed including:

- Has breakeven already been reached?
- What is the likelihood of breakeven being reached in 2013 and in 2016?
- Does the business have a business plan?
- Is there evidence of strong leadership?
- Is the business on track against identified targets?
- Does the business have access to the external deals, finance and partnerships that will be necessary?

As expected, the majority of projects currently score 'medium' for overall viability, but there is a spread (14% high, 55% medium, 31% low). This reflects the risk appetite of IAP and the fact that the fund's primary focus is on development and innovation. With respect to commercial drivers of the inclusive business other than revenue, Ignitia mentions getting first mover advantage and developing competitive advantage over competitors.



4.3.2 DEVELOPMENT IMPACT

Analysis of potential development result focuses on:

- Number of BoP beneficiaries estimated to be reached at the time of IAP project completion
- The likely scale of the business' reach to the BoP by 2016
- Likelihood of others replicating the business model leading to indirect impact at scale
- Significance of impact to each person that benefits, and
- Significance of positive knock-on /systemic impacts that are likely to be created by the project.

It is based on current plans, and assumes the question: 'if it proves viable, then what does it contribute to development...?' The majority of projects currently score 'medium' (62%) for development potential overall (21% low, 17% high).

Direct impacts on people at the BoP, as producers, consumers or distributors, are the most tangible development impact. The total number of beneficiaries reached at baseline across the portfolio is 52,261. Within 3 years from baseline, projects expect to dramatically increase their reach to the BoP as they are able to scale up the business. Most estimates appear over-optimistic while a few projects may surpass current expectations.

Knock-on effects/ Systemic Change – are difficult to measure or predict, but can be a large part of the value of the IAP portfolio, particularly given the importance ascribed to supporting innovation. Business impacts can multiply by influencing others through:

- Replication: if others adopt the inclusive business model then thousands or millions more people at the BoP may benefit – even if the IAP grantee business does not actually thrive ('second movers' may be able to learn from mistakes made when developing their business case). 62% of projects score Medium on this (replication potential is high in all IB; medium means they are as likely as any other IB model to be replicated.) while 34% score high.
- Systemic change: IB projects can influence behaviour of other market players in other ways, aside from replication. They may encourage other companies to invest in the BoP segment or encourage government to develop more supportive regulation. At this early stage, it is hard to spot high potential here - 55% score medium on this, and 31% low – but this is likely to change.

LEARNING FROM FIRST MOVER MISTAKES

A survey of social entrepreneurs in India*, one of the markets with the longest history of businesses who aim at delivering a social impact, shows that most of the entrepreneurs break even within three to five years, where numbers of direct BoP reached go to the hundreds of thousands. The study also concludes that companies started today can benefit from the learnings of others; the time to break-even has shortened with an average of two years in the past decade. Of the start-ups (average two years old), half had already reached their break-even point and 13% were profitable.

Projects scoring high on replication potential include those in an active emerging market, such as d.Light and Nuru, in the solar power market, or M-Birr in the financial sector. Because others are active, their business model is likely to be influential if it succeeds. Others, such as Calimera and Sanergy, score highly because there are relatively few companies developing bottled water or toilets in this market so far, so there is potential to attract others in.

Projects scoring high on systemic change potential include Swedstream and Finaccess because success would be likely to influence wider developments in the sector. Uptake of rural ultrasound services would likely have knock-on effects for provision of other services that use the ultrasound information, and also application of telemedicine to other types of diagnostic, thus having a material impact on rural health as a whole.

SYSTEMIC CHANGE – FINACCESS BEING PART OF A SHIFT INFLUENCING ACTIONS OF MANY

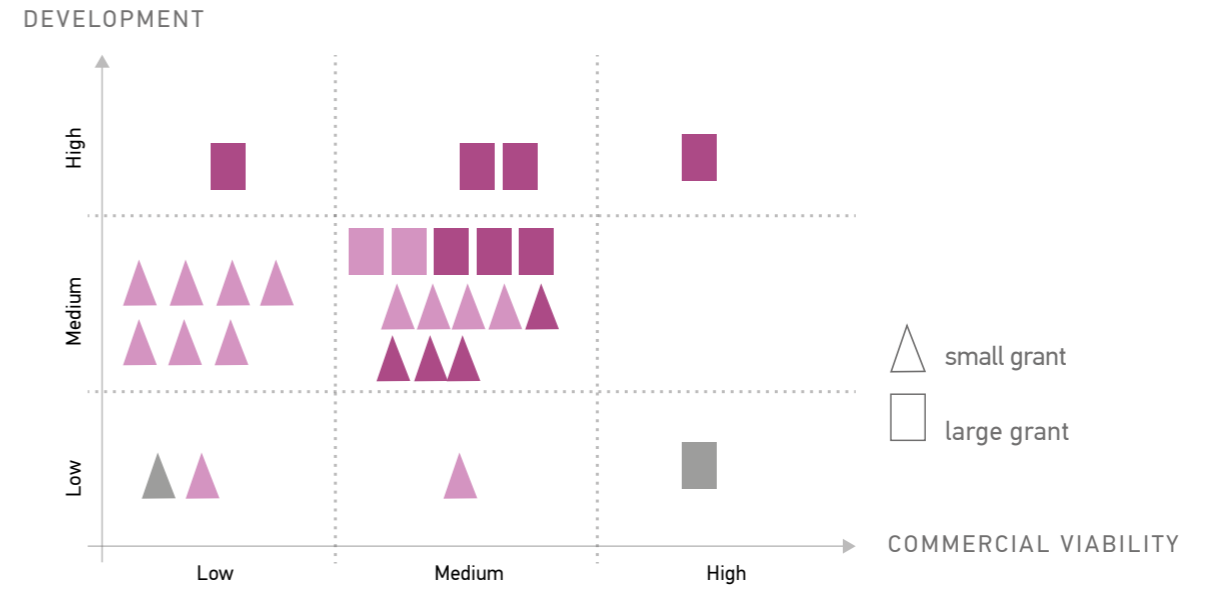
“Never before in Nepal’s Banking and financial history a coming together of multiple banks has ever happened. With a single agenda – to bank the unbanked – and thus Customer Acquisition!

They have agreed upon:

- Uniform rates across the platform
- All agents shared by all partner banks
- All branches will be shared
- In rural areas they will not compete with each other (for now).”



COMMERCIAL VIABILITY INDEX



Purple for high innovation, pink for medium, grey for low.

SYSTEMIC CHANGE – SWEDSTREAM COULD CHALLENGE THE NORM

There is widespread agreement that most maternal mortality, along with maternal health problems such as fistula, could be prevented through appropriate health care, yet meeting the Millennium Development Goal target to reduce maternal mortality remains a challenge. One problem is that girls and women simply do not get medical attention or information during pregnancy. By making low cost ultrasound available in rural areas, Swedstream could – and hopefully will – help catalyse further development of low-cost services and increased access in rural areas. This would be a ‘systemic effect’ that would disrupt the status quo and save many lives.

Market research done by Text to Change’s indicates that there is a likelihood that companies will adapt their products and services to the preferences of the low-income segment. This should give a better match between supply and demand in the low-income market, which potentially could affect the behaviour and offerings of other market players. In addition, non-profit organisations that gain better insights into their target groups’ awareness on e.g. health can better tailor their poverty reduction communication and strategies, which in turn may affect other organisations working in the same field.

To provide a preliminary map illustrating the team’s analysis, the graph above maps the current IAP portfolio on the commercial viability index (x axis), the development impact index (y axis) while illustrating their degree of innovation.

4.4 LESSONS ABOUT DONOR SUPPORT FOR INCLUSIVE BUSINESS

A number of lessons have already been learnt within the IAP programme, among others, about the development of the inclusive businesses, and how a donor programme can support them. IAP was set up by Sida as one approach within 'Business for Development' with the purpose of piloting a grant-based financial instrument. It will inform design of future donor engagement with the private sector in general and inclusive business in particular.

Some of the lessons learnt that may be relevant to wider engagement include:

- i. When setting up a donor programme, there is a long journey between designing the 'offer' and disbursing the first funds. Design of effective outreach, application processes, selection criteria, selection processes, due diligence and risk management methodologies, monitoring and evaluation framework and legal contracting, are detailed tasks that need to be done diligently and well rather than hurriedly, because each step influences the shape of the programme. Investment and time at this stage is therefore critical.
- ii. Outreach or marketing heavily influences the number of applications. Potential applicants will not hear of a programme or apply just because it is on a website. In-country events drive applications, as do collaboration with channel partners who already have networks reaching key target groups.
- iii. Large numbers of applications have been received even from the start, but the success rate of applicants is relatively low^{xvii}. While the high application rate may indicate high need for support, many applicants simply do not have a proposal that meets the commercial and development criteria of IAP, notwithstanding the high appetite for risk.
- iv. Each application needs to be taken through at least part of the assessment process, which leads to costs. In order to achieve a greater quality of applications, as opposed to quantity, the marketing and outreach need to be tailored and specifically targeted to different organisations and fora where IB and innovation are more likely to be in focus, and where entrepreneurs are more experienced. Relevant partners in this context include, among others, social enterprise and business incubators, and research and innovation centers.

- v. IAP aims to have a relatively light-touch process and provides coaching to applicants of large grants, once shortlisted. Coaches fill an important role in explaining process, providing general guidance on development of the application, and exploring the proposition. In many cases it has proven difficult to stick with a 'light touch' approach. Direct engagements with the applicant or requests for further information are often needed. In addition, bringing in external expertise, with an understanding of best practice in some key sectors, has been useful.
- vi. The logic of catalysing Inclusive Business poses a challenge for traditional accountability and monitoring and evaluation in a European donor system. Emphasis on donor accountability requires scrutiny that funds are indeed spent for the purposes for which they are allocated. Business success does, however, not usually depend on grantees sticking with an initial activity plan, but on smart adaptation to market changes and the latest opportunity or challenge. Thus it is important to have processes that ensure grantees spend funds 'well' and honestly, while accommodating the flexibility that a business needs to succeed. In IAP Sida has expressed such flexibility.
- vii. Results from support to Inclusive Business are highly unpredictable as well as difficult to measure. In addition to this it is yet unknown which projects succeed, and whether they reach a few thousand or a few million people at the BoP. Therefore it is important that Sida has clearly stated an appetite for risk, and that results are expressed not only in terms of people reached, but as supporting innovation and sharing knowledge about inclusive business.
- viii. Aside from needing funds, many applicants would benefit from technical advice to help them develop their business well. To partially address this, IAP is expanding the provision of direct Technical Assistance to its grantees as described in Section 3.1.3. More general assistance and support outside the group of grantees is provided through the Practitioner Hub^{xviii} on Inclusive Business, where a range of useful resources and ways to engage with other practitioners can be found. There is, however, clearly more potential to help both grantees, and those not selected, with technical assistance.



The Inclusive Business space seems to be evolving fast, and interest in learning from each other appears high. The Practitioner Hub hosted by IAP and the Business Innovation Facility has received over 23,000 unique visitors over the last twelve months - an expression of interest in finding out more about projects and business ideas on a relatively new and under-marketed site. With new models, strategies and solutions emerging in Inclusive Business - on how to reach the BoP, create inclusive supply chains, build essential partnerships, source from smallholders, create tracking and monitoring approaches - there are continuously new experiences to share and insights to gain.

This report has shared some preliminary insights into the IAP portfolio as of October 2012, and there is no doubt that it is just one step along the way, in learning from IAP grantees, and contributing to the IB agenda. The next KE report, due in mid 2013, is likely to have a more solid set of insights and lessons learnt to share on what IB solutions work with respect to the IAP portfolio.

REFERENCES

ⁱ For more on 'What is Inclusive Business?' see our Spotlight at the Practitioners Hub (www.inclusivebusinesshub.org).

ⁱⁱ For further information on IAP indices see section 4.

ⁱⁱⁱ Inclusive Business Portfolios vary widely in the balance between producer-focused and consumer-focused projects, and also vary in how these are defined. A recent study of social enterprises in India (On the path to sustainability and scale. Intelicap 2012) found the majority targeted the BOP as consumers. The Business Innovation Facility portfolio in contrast is balanced roughly half and half. IAP lies between these two, and is mostly consumer focused, but does not exclude producer-focus.

^{iv} For more on how inclusive business can integrate innovation, see our Spotlight 'Innovation in Inclusive Business' at the Practitioners Hub; Simple Strategies to boost Innovation in Your Company.

^v See a blog by Ruth Branvall at the Practitioner Hub: Getting Your Business Model Right.

^{vi} R Brännvall & J Johansson (2011), Innovation for Underserved Markets, Njord Consulting.

^{vii} R Brännvall & J Johansson (2011), Innovation for Underserved Markets, Njord Consulting.

^{viii} For further information about the variety of IB models being developed see e.g. IFC Inclusive Business Portfolio, or the case study database of UNDP's Growing Inclusive Markets Initiative.

^{ix} <http://businessinnovationfacility.org/page/data-of-financial-and-technical-support-for-inclusive-businesses>

^x On the path to sustainability and scale. Intelicap 2012

^{xi} Hystra consulting (2011), Leveraging Information and Communications Technology for the Base of the Pyramid.

^{xii} See 'Reaching the Rural Consumer: Is the Village Level Entrepreneur Right for Your Business?' Checklist and the Inside Inclusive Business on 'Last Mile Distribution' at the Practitioners Hub.

^{xiii} LCS ProMotion International has recognised the challenge of ensuring partners can generate sales and deliver after-sales care in their SanPlat project. They have produced a series of practical guides such as "How to Work with People." These guides are published online and free to copy for all.

^{xiv} As part of the contracting process, each grantee completes a baseline form. At the end of IAP grant disbursement they complete a Completion Report. An introduction to these for grantees can be found on the Practitioners Hub. In addition, they maintain ongoing contact with a 'buddy' in the IAP team, and may provide further updates formally for each disbursement or informally through dialogue.

^{xv} Each index is based on a composite of different indicators and ratings (e.g. red, amber, green or high, medium, low likelihood, or simple yes/ no answers). Some of those are based on company reporting (e.g. baselines) - some others are based on assessments made by IAP team members. All assessments represent a snapshot for each project at a moment in time. This scoring has clear limitations, but helps to understand the overall portfolio and how it may evolve. Assessment will be repeated to track changes over time.

^{xvi} Report of the first cycle of IAP can be found on <http://businessinnovationfacility.org/forum/topics/analysis-report-first-round-of-iap-project-1> : 22 out of 167 applicants were funded (14%). A report of the second cycle can be found on <http://businessinnovationfacility.org/group/innovationsagainstpoverty/forum/topics/innovation-against-poverty-cycle-2-in-figures>. 11 applicants out of 236 were funded (4.6%). Analysis of the third cycle will be published shortly.

^{xviii} The Practitioner Hub has not been the focus of this report but is further explained on the Hub on the webpage www.inclusivebusinesshub.org.



Country	Name of business / brand	Sector	Product/Service	Baseline completed
Bhutan	Lotus Foods	Agriculture & food	SRI rice	Yes
China	Bonzun	Health	Online health platform	Yes
Ethiopia	M-BIRR ICT Services PLC	Finance	Mobile banking	No
Ghana	GSS international sourcing Ignitia (SG and LG)	Energy & infrastructure Other	Fresh food Weather forecasts	Yes Yes (SG and LG)
India	Greenway Health Point Nuru Energy Onergy Waste Ventures	Energy & infrastructure Health Energy & infrastructure Energy & infrastructure Water, sanitation & waste management / Energy & infrastructure	Waste heat converter Mobile e-health tool Lighting Renewable energy centres Waste management	Yes No Yes No Yes
Kenya	Cafédirect Producers Foundation (CPF) ICCO Makit Aps (SG and LG) Sanergy Sunny people	Agriculture & food Agriculture & food Health Water, sanitation & waste management Energy & infrastructure	Online communications Edible insects Menstrual cup Toilets Mobile charging	Yes Yes Yes (SG, not LG) Yes Yes
Madagascar	elimentaire sarl From the Field Trading Company Inc.	Health Retail, manufacturing & consumer goods	Nutrition supplement Vanilla beans	Yes Yes
Morocco	Agro Food Industrie	Health	Nutritious baby food products	No
Mozambique	Eco-MICAIA Limitada IDE Farm advisors LCS	Agriculture & food Agriculture & food Water, sanitation & waste management	Baobab products Business advice Plastic sanitation platforms	Yes Yes No
Nepal	Finaccess Private Ltd	Finance	Mobile banking	Yes
Nigeria	d.light design, Inc.	Energy & infrastructure	Solar power	Yes
Tajikistan	Swedstream*	Health	Ultrasound equipment	Yes*
Tanzania	Book by Book Calimera Solokraft Zanrec Plastics	Education Water, sanitation & waste management Water, sanitation & waste management	Ordering platform for educational material Drinking water Plastic recycling	No Yes Yes
Uganda	Eco-Fuel Africa Limited Pamoja cleantech (SG and LG) Swedstream* Text to Change W2E	Agriculture & food / Energy & infrastructure Energy & infrastructure Health Other Energy & infrastructure	Biomass briquettes Biomass plant Ultrasounds Market research Biogas from waste	No Yes (SG, not LG) Yes* Yes Yes
Zambia	GreenLaiti HiNation Imagine (IRD) Rent-to-Own Vagga till Vagga	Energy & infrastructure Energy & infrastructure Agriculture & food Finance Energy & infrastructure	Cooking fuel gel Lighting and charging Moringa products Leasing of agricultural products Biomass stoves	Yes Yes Yes No Yes
Country not defined	See My Tree	Retail, manufacturing & consumer goods	Financial services/ carbon credits	No

*Swedstream is listed two times in the table, since the IAP project is taking place in two countries. There is however only one baseline for the project.

Sida works according to directives of the Swedish Parliament and government to reduce poverty in the world, a task that requires cooperation and persistence. Through development cooperation, Sweden assists countries in Africa, Asia, Europe, Middle East and Latin America. Each country is responsible for its own development. Sida provides resources and develops knowledge, skills and expertise. This increases the world's prosperity.

Sida's collaboration with the private sector

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