

## Briefing Note no. 1:

# What is 'Inclusive Business'?

The term 'inclusive business' refers to profitable core business' activity that also tangibly expands opportunities for the poor and disadvantaged in developing countries. Such business models can engage the poor as employees, suppliers, distributors, consumers and/or innovators.

Is this different from normal business in a developing country? 'No' and 'yes'.

'No', because inclusive business is part of commercial business operations. It is not a separate 'add-on' in the way that philanthropic activity is. In this light, inclusive business is simply a way of achieving typical business objectives, such as profitability supply security, and market share.

But at the same time, 'Yes': it is different' from most business. Inclusive business models are often highly creative solutions that buy from, or sell to, substantial numbers of people with low income. Innovation is often achieved through engagement with non-traditional business partners such as producer associations or non-profits, enabling companies and other stakeholders to pool financial investment, skills, contacts and other resources.

As a result, they expand opportunities for people with low income. Virtually any business – not just that which is labelled 'inclusive' – can help a country develop, whether through taxes, employment, market expansion, or technology transfer. But inclusive business goes further, in creating new economic opportunities for people living in poverty, perhaps as workers (producers, suppliers, employees, traders) or as consumers of affordable good and services, or as participants in low carbon and climate resilient growth.

The Business Innovation Facility and Innovations Against Poverty both support the development of inclusive business, though in different ways. We particularly focus on business ideas that:

- Use lateral thinking and innovation to adapt the business model to expand opportunities for people living in poverty.
- Combine tangible commercial return and development impact.
- Are part of commercial operations, operating inside the value chain and drawing on the core competencies of the company, though it may initially also draw on some non-commercial resources.

## Why is inclusive business so exciting?

For business leaders, inclusive business is exciting as it can spur innovation, develop more effective operations in emerging markets, and ultimately drive new sources of profitability.

For those promoting development, inclusive business offers the potential to scale up solutions. When a pro-poor intervention depends on grants, its scale is limited by funds and donor decisions. When a pro-poor opportunity is also a business opportunity, it can grow, evolve, and adapt in new markets.

With the right creative drive, commercial impetus can reach thousands, if not millions, of disadvantaged people in the developing world. In this way inclusive business speeds up efforts to reduce poverty.

## Evolution of the term 'Inclusive Business'

The business sector is now widely acknowledged as a key actor in solving major global development challenges. Notions of how business can play this role have changed, with the focus shifting from purely philanthropic interventions to ways to adapt commercial practice, and from 'do-no-harm' responsible practice to strategies that optimise positive returns for business and development. For a summary of these ideas that underpin inclusive business, see an ODI Background Note on ['Harnessing core business for development impact'](#).

The emergence of core business approaches to enhancing development impact comes along with an array of terminology for business that is responsible, sustainable, inclusive, pro-poor, high-impact, win-win, or triple bottom line. 'Inclusive business' is the term we use. It is already in use by the World Business Council for Sustainable Development, United Nations Development Programme ([Growing Inclusive Markets](#)), and Netherlands SNV. Our focus is not on the fine lines of definition, but on how to encourage innovation, turn ideas into practice, and turn pilots into business models that work at scale.

## What kind of business models may be supported?

Inclusive business models that will be supported will include, but not be limited to those that:

# 1

Develop, or adapt existing, supply and distribution chains so as to increase the participation of disadvantaged producers, informal traders and employees

For example, the Nigerian start up company [AACE Food Processing & Distribution Ltd](#) aims to develop a value chain for sourcing local fruits and vegetables, and processing them into food products for the domestic market. The emphasis on local sourcing combined with affordable local sales provide opportunities for competitive differentiation in a Nigerian retail sector that is currently dominated by imported food products and raw materials. Farmers will gain access to markets and more predictable sales, while micro-distributors and employees will also gain.

For example, the mKRISHI initiative offers personalized and integrated services in local language to farmers on their mobile phones. Farmers in remote areas will be able to connect to their stakeholders, access good quality agricultural inputs, find advice on farming practices, and get information on market prices, weather, and other essentials for improving yields. The business model involves [Tata Consultancy Services \(TCS\)](#) maintaining the necessary software platform, and inviting partners to use the platform to provide services and products to farmers.

Develop new, or adapt existing, products & services needed by the poor and / or enable greater access to these products & services to the poor

# 2

# 3

Create low carbon, climate resilient businesses that help business and communities adapt to a changing environment

For example, Solvatten is a household water treatment unit invented in Sweden. "Solvatten" is Swedish for "Sun water" and the name refers to the product's ability to clean water by making use of the heat from the sun. Put in a sunny place for 2-6 hours, the water in the unit becomes drinkable. Solvatten not only provides clean water but also does this in an environmental friendly way: many people living in poverty boils their water in order to make it drinkable, using kerosene, firewood or charcoal. Since Solvatten is solar powered, it reduces use of these fuels.

These categories are not rigid and there is no blueprint for developing inclusive business. A company can use any of its business functions – R&D, construction, procurement, sub-contracting, distribution, retail – to leverage opportunities for people living in poverty.

## Why does inclusive business need support?

Over time, inclusive business must deliver commercial returns, whether in the form of profits, market share, strategic security, or better branding. But despite these returns, investment in inclusive business may be too low because – compared to other options – there are higher risks or higher initial transaction costs: new systems or technology to develop, different markets to understand, new risks to appraise, costs and time of training and transition, different economies of scale to capture.

The process of innovation is still at an early phase, and we are all learning as we go. Our purpose is to help reduce these transaction costs, and speed up the process of learning from each other, to hasten and scale up development of inclusive business.

## Further information & Contact details

### Business Innovation Facility

The Business Innovation Facility is managed for the UK Department for International Development (DFID) by PricewaterhouseCoopers LLP in alliance with International Business Leaders Forum, and Accenture Development Partnerships

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### Innovations Against Poverty

Innovations Against Poverty is managed for the Swedish International Development Agency (Sida) by PwC Sweden in alliance with Njord Management Consulting, Orgut Consulting AB and PricewaterhouseCoopers LLP.

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Any feedback or comments are much appreciated

For more information, and the latest updates on Inclusive Business, please visit our shared Practitioner Hub at: <http://businessinnovationfacility.org/>