Supporting inclusive business in Zambia:  
A review of the Business Innovation Facility Project Portfolio in Zambia

The Business Innovation Facility helps inclusive businesses to develop and thrive. It supports a diverse portfolio of business ventures in five countries – Bangladesh, India, Malawi, Nigeria and Zambia – with the aim of catalysing successful businesses that deliver both commercial return and social impact.

As the Business Innovation Facility (BIF) pilot moves into its third and final year it is an important time to review the portfolio and the direction of progress. After over two years of implementation, BIF Zambia has now reached its target number of projects under the three-year pilot programme, offering long term support to nine projects and short term support to a further ten projects. This review combines data provided by companies, particularly at the baseline stage, with the perspectives of team members that work with the companies.

This review

This review is intended to provide a clear picture of the range of projects that are being supported by the Business Innovation Facility in Zambia. What type of organisations are we working with – start-ups, domestic firms and/or multinational corporations? Who are they targeting at the base of the economic pyramid – producers or consumers? Do projects face common constraints?

It is also intended to give us an idea, albeit preliminary, of how the projects are doing, both in terms of commercial success and their development impact. Although for some projects, particularly those recently selected for support, it is too early to tell, the information that we are gathering offers some guidance on what we may expect in the remaining year of the programme – and beyond.

Finally, this review offers a better understanding of the support that has been provided – highlighting specific phases or tasks where it has most often been required. It considers how valuable this support has been and poses the question “did this support make a difference?”
The BIF Zambia portfolio

A large proportion of the work in Zambia has been with medium to large-scale businesses at relatively early stages in their inclusive business journey: small emerging projects within large established businesses. The BIF Zambia portfolio is fairly diverse but is dominated by projects in the agricultural sector, which is consistent with our strategy of focusing on rural wealth creation in Zambia.

Commercial Success

Commercial viability is fundamental to inclusive businesses: if commercial success if not realised, development impacts are unlikely to be achieved or sustained.

Globally, only a minority of BIF projects are already profitable or have broken even at the time of intervention. Similarly in Zambia, three of the long projects reported themselves as profitable in our baseline surveys, though this partly depends on the reporting unit for which data is measured. In some cases it is difficult to separate the financials of the inclusive business project itself from those of the wider business unit or company.

Since it is recognised that projections made during the early stage of an inclusive business venture may not be robust, in addition to baseline data BIF attempts to evaluate commercial viability based on additional indicators such as:

- Does the business have a business plan?
- Is there evidence of strong leadership within the project and company?
- Is it on track against its own targets?
- Does it have access to sufficient external leverage, particularly finance?

This information is then aggregated to produce a Commercial Viability Index. The majority of projects in Zambia score Medium against this index at the start of BIF engagement, which is to be expected: high viability projects are less likely to need BIF support, while low viability projects may not be worth supporting.

Development Impact

An important measure of success for an inclusive business project is its impact on development i.e. the number of low-income people who benefit. The Zambia portfolio is split between projects that primarily benefit consumers at the base of the pyramid (BoP) and those that benefit producers,

Aside from the total number of beneficiaries, other indicators, such as the significance of the impact to beneficiaries (life-changing, livelihood-enhancing and livelihood-supplementing) as well as the scale of the impact must be taken into account.

At the small scale/high significance end of the spectrum, the projects that provide livelihoods to smallholder farmers (e.g. Sylva Foods, Sun Hotels, CEC and Tata Tannery) anticipate expanding to nearly 27,000 additional families as a result of BIF-supported projects. Among projects targeting BoP consumers, whose reach tends to be wider, HealthStore plans to provide affordable healthcare to 750,000 consumers in Zambia and Lafarge aspired to supply low-cost housing to 3 million people.

In addition to the direct benefit to supported companies and the BoP producers/consumers they work with, it is hoped that BIF Zambia interventions will also have indirect benefits and systemic impacts by promoting good practice and stimulating wider innovation in the sectors in which BIF-supported businesses operate.

Such indirect benefits are of course impossible to quantify precisely or to attribute to BIF input. However during the M&E process a subjective attempt is made to rate the level of systemic impact likely to be achieve by each project. Three BIF Zambia projects were rated as having high overall likelihood of achieving such impacts.

Taking into account reach to the base of the pyramid, significance per person, replication and systemic results, four long projects score medium/high on our development index, i.e. have substantial potential development impact.

Calculations for Commercial Viability and Development Impact are calculated based on a variety of indicators, some objective (e.g. whether the project has broken even) and some based on the country team’s judgements, (see figure 2). Subjective scoring clearly has limitations but nevertheless provides a useful basis to understand the overall portfolio and how it may evolve. Each of the projects chosen for BIF support has a mixture of strengths and weaknesses, scoring well against some indices and
poorly against others. This is as it should be, since a project that scored “High” against every index at baseline stage would be unlikely to benefit greatly from BIF support, while a project that scored “Low” against every index would be unlikely to achieve much impact.

Does BIF support make a difference?
The bulk of the technical assistance provided to companies is in business planning and financial modelling, closely followed by supply chain development and helping to identify sources of funding, (see figure 3).

“[The BIF consultant], in the time allocated to him, produced a wealth of knowledge on this subject [local produce sourcing] that is likely to lead to fundamental changes in the horticultural industry in Zambia.”
– Fresh Produce Export Growers Association (FREPEGA)

BIF Zambia has completed its input for the majority of projects and now focusing on collecting feedback and measuring results. Emerging feedback from service providers and companies indicates that most initiatives would eventually have gone ahead without BIF support, but in a slower and/or less effective way. In our view this emerging evidence so far suggests that BIF support is a good use of donor input given initial indications of additioanalities. However, we recognise that in many cases it is too early to see ‘real’ impacts being delivered, and at this stage, we need to rely on estimates of what companies aim to achieve over the next years.

“On its own, BioCarbon Partners did not have prior involvement in the Zambian charcoal industry/inarket – we had prior experience from other countries, but needed to understand the intricacies of the Zambian system. The information gathered in [BIF consultants’] reports was critical to BioCarbon Partners’ ability to understand the production system and market for charcoal in Zambia, and to therefore design a feasible product and intelligently market it.”
– BioCarbon Partners

Additional Resources:
Global portfolio review
Review of the Business Innovation Facility Project Portfolio: Year 2 of the three year pilot
Zambia project profiles:
http://businessinnovationfacility.org/page/zambia-projects

For further information on the Business Innovation Facility projects in Zambia and to access other publications, go to:
Practitioner Hub on Inclusive Business: www.businessinnovationfacility.org
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