

Business Innovation Facility

Portfolio Review

June 2011

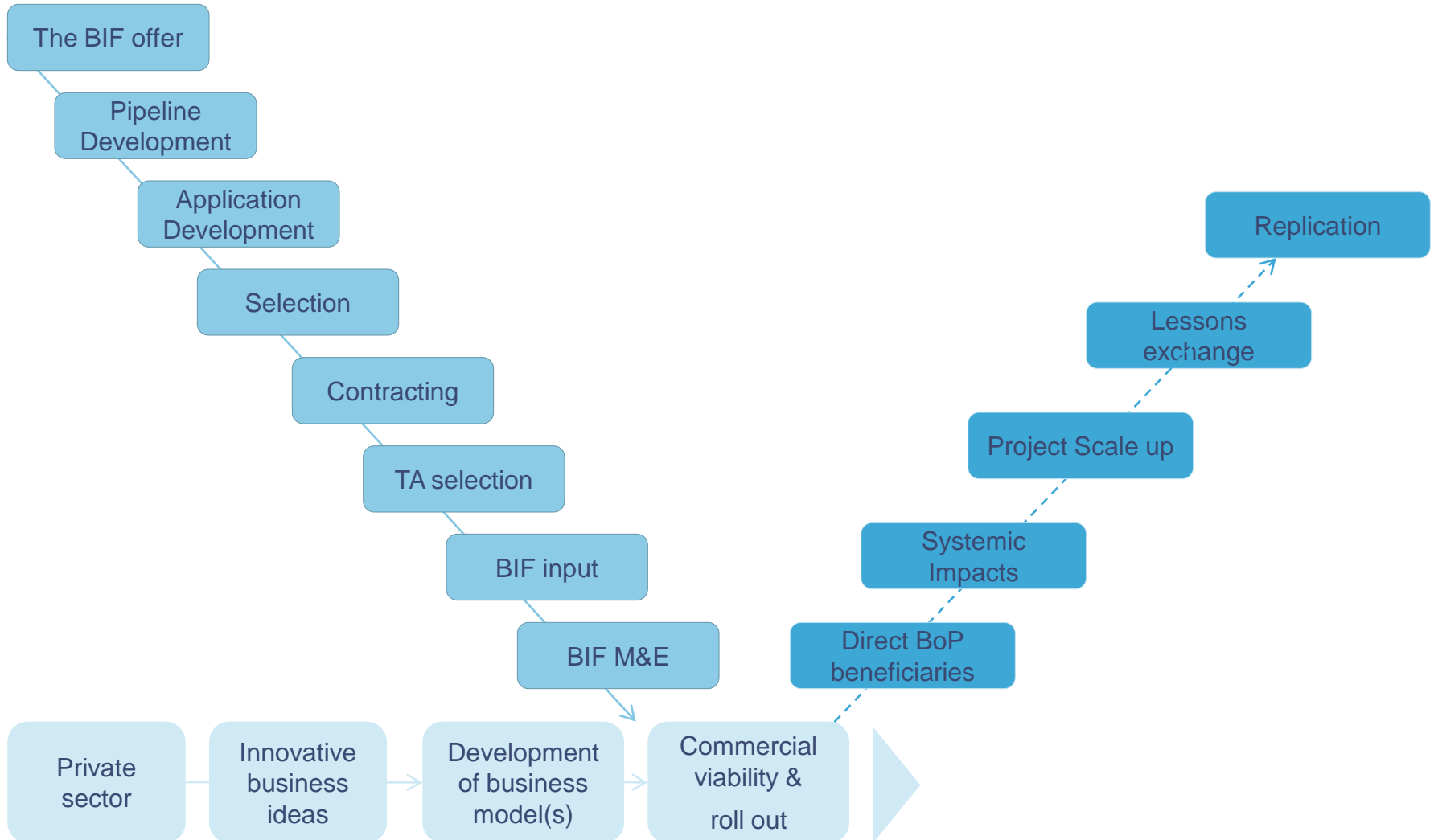
This document summarises findings from a review of the Business Innovation Facility (BIF) Portfolio of inclusive business projects, as of June 2011, at the end of the first year of operation. A 2-page summary is also available on the Practitioner Hub, www.businessinnovationfacility.org

For more general background information on Inclusive Business and how BIF works, see our Briefing Notes on the Practitioner Hub.

One year on: where are we?

- The Business Innovation Facility (BIF) is now one year old. In its first year it has made important strides towards getting up and running in its five pilot countries and establishing a portfolio of 18 inclusive business projects approved for support, where support is either under way or committed.
- In our five pilot countries we are working with a mix of companies and NGOs. Applicants for cost sharing support range from small national companies to large national or multinational companies and NGOs aiming to turn existing initiatives into commercially viable inclusive business ventures by setting up new domestic firms.
- At the end of year one, the shape of our portfolio is beginning to emerge with a varied mix of projects in 11 different sectors, but with an agribusiness focus.
- All projects aim to achieve commercial viability and show potential for direct and indirect benefits to low income people.
- This document has been prepared as part of a wider portfolio review at the end of year one. It focuses mainly on the portfolio of cost sharing projects.

The BIF process for advisory & facilitation support



Sources of data that have fed into the review

21 team survey responses

8 project summaries

Minutes from 4 selection committee meetings

**6 contracts/
workplans**

7 baselines

BIF Portfolio
Review –
End of year 1
(June 2011)

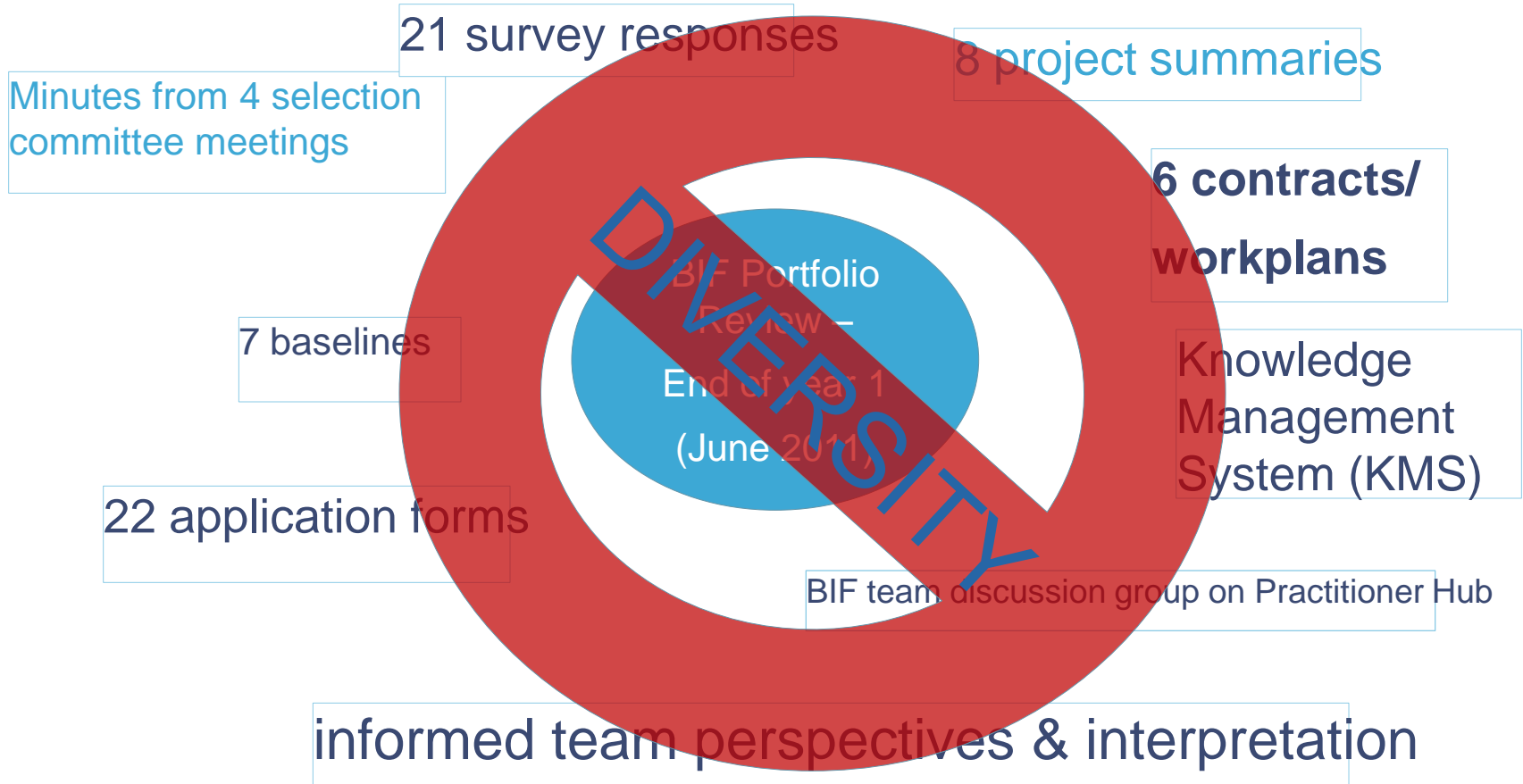
Knowledge
Management
System (KMS)

22 application forms

BIF team discussion group on Practitioner Hub

informed team perspectives & interpretation

This document does not analyse the individual projects but offers an aggregate analysis of the emerging portfolio. Aggregates hide diversity.



In total, 18 projects have been approved for cost sharing support; of which seven projects have already been contracted. For these projects, public summaries are already available on the Practitioner Hub:

1. [Afri-Nut, Malawi](#) - Establishing Afri-Nut as an inclusive pro-poor peanut processing business
2. [RSP-NewCo, Bangladesh](#) - fostering economic development in rural areas through social enterprise distribution model
3. [I-School, Zambia](#) - Providing internet connectivity and resources for Zambian schools.
4. [Oando, Nigeria](#) - providing Nigerian households with affordable and accessible clean cooking fuels
5. [AAFE Foods, Nigeria](#) - agroprocessing of locally sourced fruits and vegetables
6. [mKRISHI, India](#) - service delivery to farmers via mobile technology
7. [Micro Ventures, Malawi](#) - creating opportunities for women's farmer groups to supply produce to wholesalers and retailers

For the portfolio of cost sharing projects, this document provides information on two main aspects:

1. The shape of the portfolio: type of projects
2. Possible performance against Facility criteria

Facility Criteria

- Private sector led ... potential for profit
- Innovative business model
- Chance of success
- Development impacts – contribution to MDGs
- Facility additionality
- Clearly defined cost-sharing
- Fit with portfolio/Facility strategy

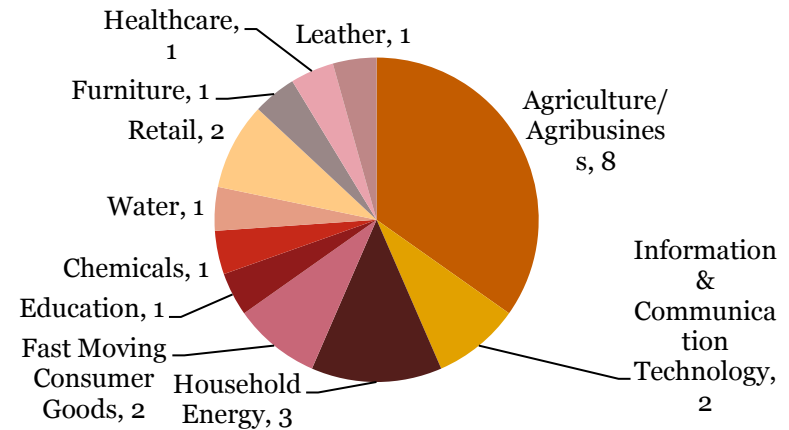
The 'shape' of the portfolio is beginning to emerge: a varied mix with an agribusiness focus.

- 23 different sectors
- 8 projects involve agribusiness,
- 2 projects involve information technology

Different types of Base-of-Pyramid participants (primary beneficiaries)

	Farmers	Other Base-of-Pyramid
Producer	Afri-Nut, AACE, MicroVentures, Sylva, Firmenich	
Consumer	mKrishi,	RSP/NewCo, iSchool, Oando
Entrepreneur/micro enterprise	RSP/NewCo, mKRISHI, MicroVentures,	

Overview of sectors (1-2 sectors per project)



High potential for learning lessons across projects, eg. on farmer-market linkages, farm services, distribution via entrepreneurs, and reach to BoP consumers.

Applicants for BIF support include a wide range of companies, and some commercialising NGOs. The inclusive business ventures supported are also varied, with several start-ups.

- A majority of the IB projects are led by small existing companies or aim to set up new businesses.
- Out of the 18 projects, five are led by multinational companies.
- The type of organisation applying for BIF support is not always the same as the organisation driving the inclusive business project. In six cases applicant organisations are NGOs, who aim to commercialise an existing initiative/programme by setting up a for profit organisation/ new business.

Commercial viability – projects have potential but also risks

Viability

- Current turnover is small or zero
- Several are identified as commercially risky
- Viability is key area of Facility additionality: advisory input adds value to the business model, and therefore to viability.

e.g. identifying the distribution model and revenue model (mKRISHI, iSchool)

Risks identified

- Mainly commercial risks identified by BIF team and Selection Committee
- Applicants identify internal risks (in the business model/staffing) but rarely external risks
- Risk ranking now introduced at time of selection

Innovation is present but very difficult to rank or compare.
The likely scale is impossible to estimate at present.

Innovation?

- Yes, all have a clearly defined element of innovation
- i.e. Not done in this country, this market, in this way before
- There is a combination of product innovation (the what) or value chain innovation (the how)
- Not possible to quantify how innovative' they are

Potential to go to scale?

- Depends on commercial success
- At baselines companies struggle to estimate scale
- Application form estimates are not robust
- Scale can be via the company (e.g. Oando) or via take up of the business model by others
- Too soon to judge

Development impacts vary from direct to indirect, but are clear in all projects

1. Direct Base-of Pyramid

- Mainly farmers – several thousands
- Also entrepreneurs, consumers (thousands, up to millions)

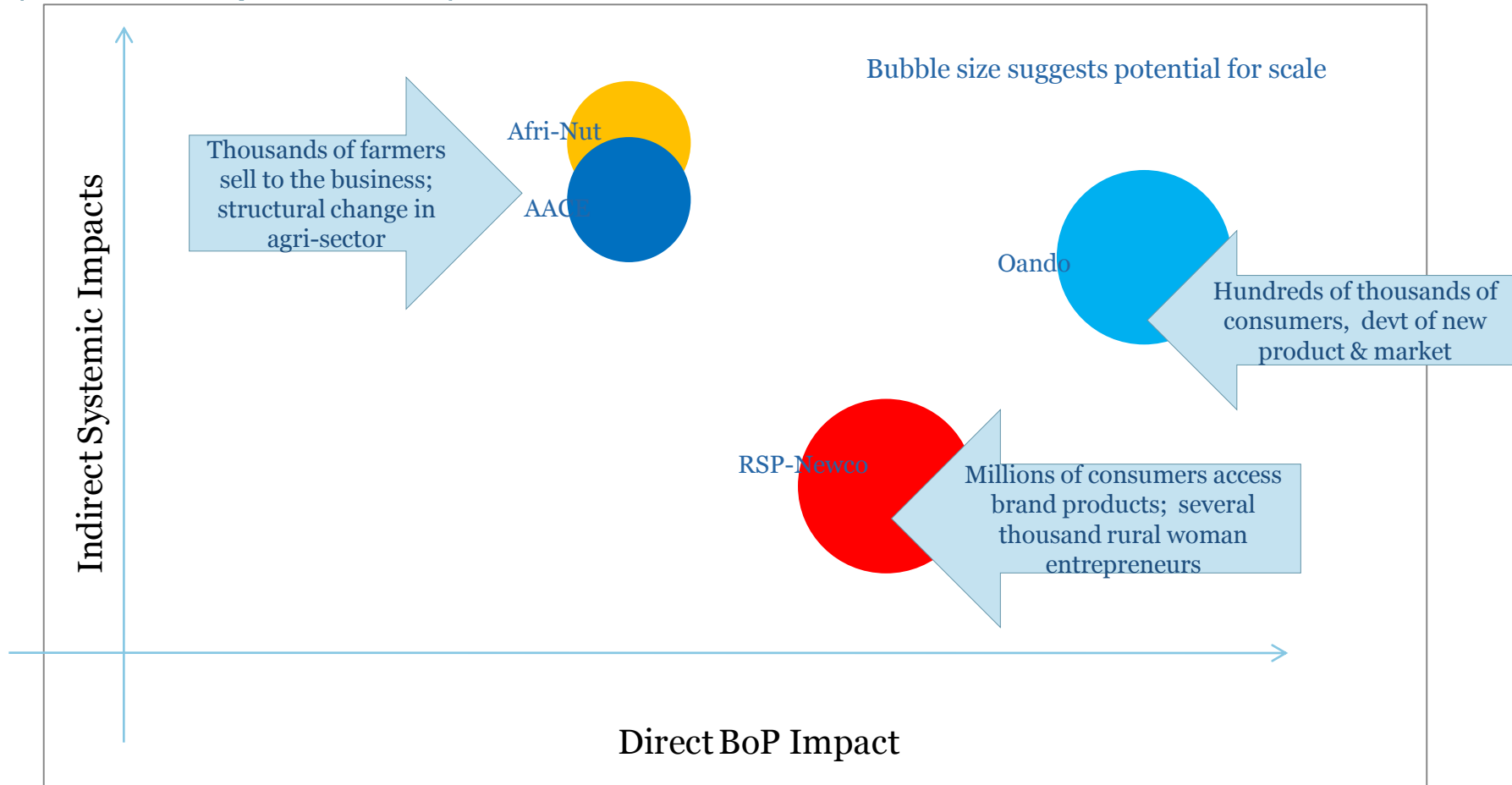
2. Systemic Impacts

- Very significant in some

Balance between (1) and (2) varies, eg.

- RSP-Newco (Bangladesh), ($1 > 2$)
- Afri-Nut (Malawi) and AACE (Nigeria), ($1 < 2$)
- Oando (Nigeria) and mKRISHI (India), ($1 = 2$)

Comparing direct benefits and systemic impacts (one interpretation)



- Direct BoP impact is numbers reached and significance of the benefits to BoP people
- Indirect impact is a broad indication of the range and strength of potential impacts, without attempts to judge significance
- Both rankings are subjective and for illustrative purposes

Cost-sharing technical assistance is likely to add value, and is ambitious. Company share is mainly in-kind.

- Facility TA input – wide ranging, critical to commercial development
- Inputs are mainly defined after selection and approval
- Clear value addition
- But NB access to finance is top-ranked challenge by companies

Spread across a number of TA providers

Organisation	No. of projects in which a main TA provider
Country Mgt Teams	6
PWC / associate	2
ADP	2
Challenges Worldwide	2
Other	7

Clearly defined cost-sharing by companies, but mainly in-kind not in cash

Average Facility contribution £35,300

Average company contribution, ££45,800

Average company cash contribution, £14,600*

**NB This only includes the company contribution into the specific project with BIF, it does not include the contribution to the overall inclusive business venture or investments made in advance*

The story so far, projects vs criteria

Likely results against criteria: a mixed picture is good, no clear outstanding project in terms of chances for success

- All projects involve a **private sector lead** and potential for profit, but chances for commercial success identified as key area of risk
- Projects involve **innovative business models** but scope for further exploration
- Some projects have higher **chances of success** than others (we need to expect that some will not succeed)
- **Development impacts** – all projects have potential to contribute to MDGs - some more directly, others more indirectly

Value of Facility input and Value to Facility

- **Facility additionality** seems strong – sometimes too strong?
- Clearly defined **cost-sharing**
- Fit with **Facility strategy/portfolio** – the emerging portfolio shows a good mix

The process of pipeline development and project management (whole team survey)

Consensus that BIF is on track to meet objectives, but there is a long way to go, targets are ambitious. It will need slick teams, flexibility and focus.

Doing well

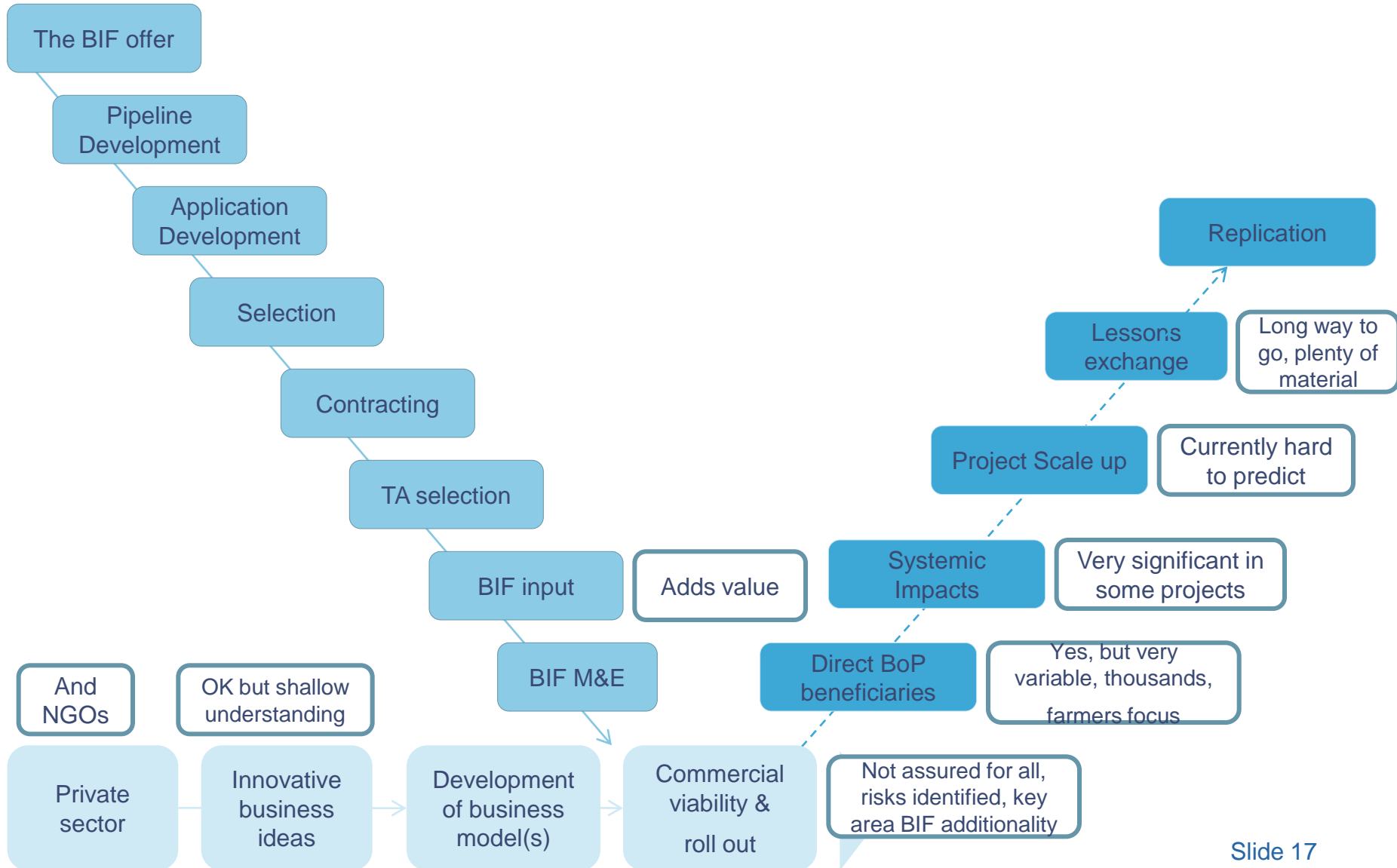
1. Strong processes, from prospecting to project set-up and reporting
2. Engagement with companies/IB; pipeline, cost-sharing support
3. Learning by doing, Hub, sharing knowledge
4. Strong team

vs.

Need to develop further

1. Process – transaction costs, admin, pace of contracting
2. Non-cost sharing support
3. Wider outreach, clear BIF 'value proposition'
4. Team exchange, learning across projects

Emerging picture of portfolio projects



We have a principle of learning as we go, continuous improvement and sharing results. This review is part of that process.

News and results from BIF will continue to be shared on the Practitioner Hub.

www.businessinnovationfacility.org

Our Briefing Notes and updates can be found at

<http://businessinnovationfacility.org/forum/categories/resources-from-the-facility/listForCategory>

We welcome your feedback and any comments you may want to share. Please contact our team at enquiries@businessinnovationfacility.org