

PROMOTING INCLUSIVE BUSINESS IN NIGERIA

Landscape Study with Policy Recommendations



Photo: © Silveo International Limited

iBAN is funded by



Implemented by



Following a joint request from the Federal Government of Nigeria and the Governments of Kaduna and Lagos states, the ► [Inclusive Business Action Network](#) commissioned a landscape study to determine the status of inclusive business (IB) in Nigeria. The study objectives were to (a) study Nigeria's business environment to identify how best to advocate for inclusive business, while being mindful of the Nigerian context, (b) identify business organisations that can adopt the IB methodology to escalate positive social and economic impacts in Nigeria, (c) identify specific government institutions that can provide the needed incentives to encourage inclusive business models, and (d) recommend appropriate policy initiatives and institutional reforms that will help promote inclusive business in Nigeria. The study focused on Lagos and Kaduna states at the subnational level, and on the relevant institutions and business associations at the national level. This report provides the insights from the study.

PREFACE

On the joint request from the Federal Government of Nigeria and the Governments of Kaduna and Lagos states, the Inclusive Business Action Network (iBAN) commissioned a study on Inclusive Business in Nigeria, with a specific focus on the latter states. I would like to thank iBAN (a programme under the German Agency for International Cooperation, GIZ) and its consultants under Nextier (an Africa-focused public policy consulting firm) for conducting the study. Similarly, I thank the German Ministry of Economic Cooperation and Development (BMZ) for financing the study.

The study provided the following insights:

1. Nigeria has firms with innovative, inclusive business (IB) models doing good while doing well. These IB business lines provide highly relevant and systemic solutions for the income and living standard problems faced by the poor and low-income people in the country.
2. At the same time, the IB models are commercially viable and strongly contribute to economic development and new dimensions of growth.
3. While the IB concept is not well-known in Nigeria, its companies are interested in transforming their mainstream business into IB.
4. Many public and private sector stakeholders and development partners are interested in the IB concept and wish to contribute to promoting more IB solutions in the country. These leaders found the strategic policy recommendations developed under the IB landscape study highly relevant and are interested in (a) developing a dedicated IB strategy, (b) setting up a proper institutional framework for its promotion, (c) doing more IB advocacy, (d) establishing a transparent IB accreditation system; (e) establishing an IB business coaching and mentoring programme, (f) setting up smart tax, procurement and other incentives for encouraging new IB investments, (g) targeting IB in existing development programmes, (h) reduce investment risks of impact investors, (i) do impact monitoring of IB investments, (j) engaging in and take leadership of a regional exchange on IB promotion in Africa, and (k) piloting the implementation of an Inclusive Business enabling environment initiative for Nigeria (the IBeeN) in Kaduna state.
5. Finally, the Federal and State governments are interested in promoting IB as the activities align with the country's new Vision 2050 development priorities of creating a more inclusive society to drive economic growth. It also aligns with the manifestos of the different candidates in the 2023 elections.

In response to the study findings, the government of Kaduna confirmed its willingness to pilot an IB promotion programme in cooperation with the National Investment Promotion Commission (NIPC) under the Federal Ministry of Industry, Trade, and Investments (FMITI) and the Lagos State Office of Sustainable Development and Investments (LSDPI) under the State Commissioner. As the executing agency, the Kaduna Investment Promotion Agency (KADIPA) will pilot the programme in collaboration with other stakeholders.

Kaduna government is looking forward to further detailing the features of the Nigeria Inclusive Business (IBeeN) pilot in 2023 with envisaged technical assistance support from the Investment Climate Reform (ICR) initiative financed by the European Union and Germany and further assistance from the GIZ SME Promotion programme. I envision that the Kaduna IBeeN pilot in 2023 will result in a national IB promotion programme starting in 2024.

Khalil Nur Khalil,
*Executive Secretary,
Kaduna Investment Promotion Agency (KADIPA),
Kaduna State Government, Nigeria*

ACKNOWLEDGEMENT

The Inclusive Business Action Network (iBAN), a global programme implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and financed by the German Ministry for Economic Cooperation and Development (BMZ), commissioned this study.

In collaboration with the Kaduna and Lagos state governments, the Federal government of Nigeria requested this study. The government agencies involved in this project include the Federal Ministry of Industry, Trade, and Investments (FMITI), the Kaduna State Investment Promotion Agency (KADIPA), the Lagos State Office of Sustainable Development Goals and Investments (LOSDG&I), and the Lagos State Ministry of Agriculture (MoA).

We would like to express our sincere gratitude, especially to KADIPA (Khalil Nur Khalil, Hannah Bello, Sadiq Mohammed), Nigeria Investment Promotion Commission (Emeka Ofor, John Oseji), LOSDG&I (Solape Hammond, Sanusi, Olajide Abdulateef and their team), Lagos MoA (Abisola Olusanya), the Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (Sola Obadimu, Olufemi Alatise), Impact Investment Foundation (Etemore Glover and her team). We also thank key informants from other government agencies, business associations, impact investors, business facilitators, and development partners.

We particularly appreciate the eighteen companies interviewed and the eleven firms we found to have innovative IB business models that create solutions for the poor. We thank the Chief Executive Officers (CEOs) of Agro Bar-Magen (Kobi Vetch), Archi Green (Nojiet Achi), Babban Gona (Kola Masha), Baby Grubz (Seun Sangoleye), Bido (Timpot Yaki), De Lace (Hagia Saphia Bashir), Falgates (Falalu Sadiq), Falke (Alhaji Samaila Maigoro Falke), Infibranches (Olusola Owoyemi), L&Z (Mohammed Dammaka Abdulkar), Okra Solar (Indranil Roy), Olam (Ashish Pande), R-Jolad (Kola Ani), Silvex (Abubakar Sadiq Karfi), Solar Sisters (Olasimbo So-jinrin), Tomato Jos (Esson Akolo Elijah), and Zuma Coffee (Charles Okon Taye).

The policy recommendations were developed based on suggestions made by the interviewed companies and the various stakeholders in government, business associations, impact investors, IB facilitators and development partners. We very much appreciate the help of the GIZ colleagues in Nigeria.

Special thanks go to the consulting team that conducted the landscape study and the process for setting up an IBeeN strategy going forward a great success. Valuable inputs to the Report, workshop support, and company interviews came from Patrick O. Okigbo III (Team Leader), Emeka Okafor and Jafar Umar (Company evaluation experts), Dr Armin Bauer (international IB expert) and Chidinma Obi and Viktor Alikor (Research Analysts). Furthermore, I appreciate the support of my iBAN colleagues, Markus Dietrich and Jeannine Claes.

Dr. Christian Jahn

Executive Director, iBAN

Bonn, Germany, in December 2022

EXECUTIVE SUMMARY

In 2021, the government of Nigeria requested support from the Inclusive Business Action Network (iBAN)¹ to conduct a landscape study on Inclusive Business (IB) in Nigeria. The government partners include the Federal Ministry of Industry, Trade, and Investments (FMITI), the Kaduna Investment Promotion Agency (KADIPA), the Lagos State Office of Sustainable Development and Investment (LOSDG&I) under the State Commissioner, and the Lagos State Ministry of Agriculture (Lagos MoA). The request is on the aegis of the Nigerian government's participation in the 2019 ASEAN IB Summit (in Bangkok), a 2021 study (undertaken by iBAN) on integrating IB in Nigeria's COVID-19 responses, and several online seminars that iBAN organised in 2021/2022 with participation from senior Nigerian government officials.

The objectives of the Inclusive Business (IB)² landscape study were to (a) clarify the IB concept for Nigeria, (b) profile IB companies, (c) assess enabling environment for IB in the country, (d) make recommendations for a strategic programme for promoting IB, and (e) provide for advocacy for a better enabling environment for Inclusive Business in Nigeria (IBeeN).

Eleven companies with IB models were identified of which eight are in agribusiness, one is in fintech, and two are in energy. The assessed inclusive businesses had a consolidated revenue of N152 billion (about \$237 million) In 2022 and benefitted about 5.6 million poor and low-income people in Nigeria. Moreover, the companies show significant growth prospects, and many will at least double their revenue by 2025.

The assessment of the enabling environment for inclusive business in Nigeria showed that the concept is highly relevant for promoting structural reforms in the industry sector, reducing poverty, and contributing to a new quality and dynamics of business and economic growth. Many institutions in Nigeria at the federal and state levels (government, companies, business associations, investors, and civil society) are interested in the Inclusive Business concept and are committed to supporting it. While the Kaduna state government is particularly interested in establishing an IB promotion programme and franchising it to other states, the Government of Lagos wishes to integrate it into its SME promotion and other development programmes.

In discussions with multiple stakeholders and inspired by the results of the two stakeholder forums and the commitments from several actors (governments, business associations and impact investors in Kaduna, Lagos, and at the federal level), the study developed eleven policy recommendations to promote IBeeN. The recommendations include the following:

-
- 1 The Inclusive Business Action Network (iBAN) is a global initiative supporting the scaling and replication of inclusive business models. iBAN is funded by the German Federal Ministry for Economic Cooperation and Development and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. An earlier phase of this project (01/2017–12/2021) was supported by the European Union.
 - 2 Inclusive Businesses (IB) are commercially viable private sector business lines that provide innovative, scaled-up and systemic solutions to the relevant problems of the poor and low-income people (bottom 40 per cent income groups [the B40] or the base of the social pyramid [BoP]). Such “business solutions for relevant social problems” typically either (a) create income opportunities in the value chains of companies involving the poor as suppliers, laborers, distributors, or shareholders, and remunerating the poor well above the market rate, or (b) provide affordable, and relevant goods and services for the B40 (involving them as consumers). IB solutions can be delivered by medium and larger companies (IB models), by smaller companies and commercially oriented and scaling social enterprises (IB-initiatives), as well as by large businesses with core-business corporate social responsibility (CSR) work (IB activities); micro-enterprises seldom qualify as IB given their small social impact and often low commercial viability. Inclusive businesses do well while doing good and thus creates triple-wins for the poor, for private sector companies and for society (and is hence also highly relevant for government). Some B business models also address environmental and climate change issues while helping the poor.

1. Endorse a deliberate Inclusive Business strategy with committed incentives for more private sector engagement. In addition, reflect inclusive business in Nigeria's Vision 2050 strategy document, the next federal budget, and state-level development plans (in Kaduna and Lagos).
2. Establish a dedicated institutional setup with an Inclusive Business multi-stakeholder board, an IB secretariat, an IB accreditation committee with government and private sector participation, and IB focal points in various government and business associations agencies to push the IB agenda forward.
3. Establish a transparent, Inclusive Business accreditation system to identify and brand IB companies. While, in most cases, the accreditation is for an entire company, it can also be for a dedicated IB business line. Government agencies and business associations would jointly implement the accreditation process based on company assessments from an independent third party. The study successfully tested the process and is confident that the government could award Nigeria's first IB accreditation in early 2023. In addition, IB accreditation would be the basis for targeting government incentives to only potential and actual IB firms.
4. Create an Inclusive Business coaching and mentoring facility to provide specialist advice to companies as they transition to become IBs. In addition, the government could establish a working group to adapt the concept developed in Asia and Zambia to Nigeria. The group could complete this effort in the first half of 2023.
5. Create dedicated incentives for accredited Inclusive Businesses on taxes, government procurement opportunities, infrastructure leasing, technology access, and investment financing
6. Establish an Inclusive Business Risk Reduction and Social Innovation Fund (IB-RRSIF) for impact investors to provide planned investments in IB and green and inclusive business (GIB) deals.
7. Launch a study to deliver government services through IB companies. The study would facilitate initial agreements with government agencies to implement budget allocations through Inclusive Business focused private sector companies. This initiative would include health, education, municipal services, enterprise development, and poverty reduction appropriations.
8. Set up an Inclusive Business Impact Results Monitoring System and link this initiative to reporting on the private sector's contribution to poverty reduction for the poor and low-income people. The initiative could provide funding for co-financing IB impact assessment in selected companies and sectors.
9. Create specific Inclusive Business Technical Assistance Facilities³ (IB-TAF) at the state and/or federal level and a national Inclusive Business Risk Reduction and Social Innovation Facility (IB-RRSIF) to support the initiative and engage development partners in co-financing.

3 The technical assistance would focus on 1) IB awareness raising, 2) IB accreditation, 3) IB business coaching, 4) IB knowledge and policy work for establishing IB incentives, 5) IB impact monitoring and reporting, and 6) regional exchange on IB.

10. Engage in regional exchange programmes on Inclusive Business and become the leader of the initiative for Africa.⁴
11. Pilot the IBeeN strategic recommendations in Kaduna (and eventually in Lagos state) and upscale under the federal government. Both state governments may have different starting anchors for promoting IB may have to establish specific programmes at a national level (for instance, the IB accreditation, IB-RRSIF)

On the immediate next steps, the Kaduna state government plans to pilot a dedicated Inclusive Business promotion programme in early 2023. Lagos state and the Federal Government of Nigeria could leverage the lessons from the Kaduna pilot to establish their programmes. Furthermore, the national government could pursue an official Inclusive Business accreditation for the eleven companies identified in this study as potential inclusive businesses. Finally, the Federal Government of Nigeria and the Lagos state government could consider financing IB promotion to scale up the Kaduna experience from 2024. The study suggests to discuss a technical assistance proposal with development partners to support institutionalising IBeeN in Kaduna and build the programme for Lagos State and the Federal Government.

4 A similar IB initiative is currently being developed for Zambia. There is also a lot of experience on IBee promotion in Asia.

TABLE OF CONTENT

Preface	3
Acknowledgement	4
Executive Summary	5
Table of Content	8
List of Tables and Graphs in the Report	11
Abbreviation and Acronyms	12
1. Background and Rationale for inclusive Business in Nigeria	14
1.1. Request for the Inclusive Business Landscape Study	14
1.2. Study Objectives and Methodology	15
1.3. What is Inclusive Business?	16
2. Inclusive Business Relevance for Nigeria	21
2.1. Nigeria's Socio-economic Challenges	21
2.2. Nigeria's Business Environment	22
2.3. Poverty, the Private Sector and Nigeria's Unmet Social Needs	23
2.4. Market Opportunities for Companies Transitioning to Inclusive Business Lines	26
2.5. Private Sector Social Responsibility	27
2.6. Implications for a Systematic Approach to Inclusive Business in Nigeria	29
3. Inclusive Business Lines in Nigeria: Findings from the Company Assessments	30
3.1. Study Methodology: Adjusting, Finding, Accrediting, and Promoting Inclusive Business	30
3.2. Assessment of IB Company Types	33

3.3.	Assessment of IB Companies by Sector and their Key Inclusive Business Innovations	36
3.3.1	<i>Agribusiness as Priority</i>	36
3.3.2	<i>Inclusive Business in Manufacturing and Handicrafts...</i>	38
3.3.3	<i>Inclusive Business Solutions in Municipal Services</i>	39
3.3.4	<i>Inclusive Business Solutions in Social Services.....</i>	40
3.3.5	<i>Inclusive Business Solutions in Energy</i>	41
3.3.6	<i>Inclusive Business in FinTech.....</i>	41
3.4.	Key Policy Support Recommendations from IB Companies ..	42
4.	Enabling Environment for Inclusive Business	44
4.1.	Inclusive Business Stakeholders and Actors	44
4.1.1	<i>Government Champions.....</i>	45
4.1.2	<i>Inclusive Business Promotion through Business Associations.....</i>	45
4.1.3	<i>Inclusive Business-Relevant Impact Investing and the Financing Industry</i>	46
4.1.4	<i>Inclusive Business Facilitators/Intermediaries</i>	47
4.1.5	<i>Role of Development Partners</i>	47
4.2.	Strategic Direction for Inclusive Business Promotion under the New Government	48
4.3.	Implications for Inclusive Business Policy Support	49
5.	Strategic Recommendations FOR promotING Inclusive Business in Nigeria	50
5.0	Global ‘Good’ Inclusive Business Promotion Practices	50
5.1.	Recommendation 1: Establish a Strategic Inclusive Business Promotion Framework	51
5.2.	Recommendation 2: Set up a Multi-Stakeholder Institutional Structure.....	52
5.3.	Recommendation 3: Promote Inclusive Business Advocacy ..	55
5.4.	Recommendation 4: Do Regular and Transparent Inclusive Business Accreditation	56

5.5.	Recommendation 5: Facilitate Dedicated Inclusive Business Coaching.....	56
5.6.	Recommendation 6: Establish Smart Inclusive Business Investment Incentives.....	58
5.7.	Recommendation 7: IB Financing and Reduce Inclusive Business Investment Risks and Support IB Financing	61
5.8.	Recommendation 8: Target Inclusive Businesses in Budget and Programmes for SME Promotion and Poverty Reduction .	61
5.9.	Recommendation 9: Facilitate Nigeria Inclusive Business Impact Monitoring and Reporting at Various Levels	62
5.10.	Recommendation 10: Engage in Inclusive Business Regional Exchange and Developing Leadership in Africa	63
5.11.	Recommendation 11: Pilot IBeeN in Kaduna State	63
6.	The Kaduna Ibeen Pilot Project	64
7.	Summary and Conclusion	65
8.	Appendices.....	67
Appendix 1:	The IB Business Coaching and Mentoring (IB-BCM) Tool	68
Appendix 2:	Principles of IB Accreditation	70
Appendix 3:	Summary Profiles of IB Companies	16
Appendix 4:	Key Institutions and Champions for IB Promotion during the Pilot Phase of IBeeN	91
Appendix 5:	Summary of IB Seminar in Kaduna (13 October 2022).	92
Appendix 6:	Summary of 1st Nigeria IB Forum (held on 28 October 2022 in Lagos)	93
Appendix 7.1:	Income Poverty in Nigeria between 2003 and 2022. .	95
Appendix 7.2:	Nigeria Poverty Characteristics 2018.....	96
Appendix 8:	Comparing IB with MB, SE and CSR.	96
Appendix 9:	The Features of the IB Risk Reduction and Social Innovation Fund (IB-RRSIF)	98
Appendix 10:	Selected Literature and References.....	102

LIST OF TABLES AND GRAPHS IN THE REPORT

Figure 1.	The Inclusive Business Triple Win	17
Figure 2.	The 2-3-5-8 Characteristics of Inclusive Businesses	18
Figure 3.	How Inclusive Businesses differ from other impact-focused Businesses	20
Figure 4.	The Base of the Pyramid in Nigeria and its Comparison	24
Figure 5.	Poverty in Nigeria is high, stagnant, and rising.	25
Figure 6.	Estimated number of IB-ready social Enterprises in Nigeria	28
Figure 7.	Summary of Criteria and Benchmarks for the Inclusive Business Company Rating.	32
Figure 8.	Number of Companies assessed	33
Figure 9.	Assessment by Sector	34
Figure 10.	Agreements on IB Company Size	35
Figure 11.	The Inclusive Business Share in Global Impact Investing	46
Figure 12.	Proposed Institutional Setup for IBeeN	52
Figure 13.	Composition of the IBeeN Board	54
Figure 14.	Implementation Costs for the Inclusive Business Coaching and Mentoring Tool ...	57
Figure 15.	Costs of Inclusive Business Monitoring and Reporting	62
Figure 16.	Estimate of Inputs and Costs for the Kaduna Pilot	64

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
ANWBN	Association of Nigerian Women Business Network
AVPA	Africa Venture Philanthropy Alliance
BMZ	German Ministry for Economic Cooperation and Development
COVID-19	Coronavirus disease is an infectious disease caused by the SARS-CoV-2 virus. It was a global pandemic between 2019 and 2021. It adversely impacted the global economic well-being, particularly for the poor.
CSR	Corporate Social Responsibility
EC	European Commission
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
FCDO	Foreign and Commonwealth Development Office (formerly known as DfID)
F-MBIT	Federal Ministry of Business Innovation and Technology
F-MFBNP	Federal Ministry of Finance, Budget, and National Planning
F-MHSSD	Federal Ministry of Human Services and Social Development
F-MITI	Federal Ministry of Industry, Trade, and Investments
GB	Green Businesses, that is, companies that address problems of the environment and climate change
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German International Cooperation Agency)
IB	Inclusive Business
IBAN	Inclusive Business Action Network, a global Programme implemented by GIZ and financed by BMZ (iBAN has the largest platform on Inclusive Business worldwide.) ► www.inclusivebusiness.net
IBee	Enabling environment for Inclusive Business
IBeeN	Programme for creating a better enabling Environment for Inclusive Businesses in Nigeria
ICA	Investment Capital Africa, a match-making organisation arranging impact capital
ICR	Investment Climate Reform programme of the EC for African, Caribbean, and Pacific States
IB-RRSIF	Inclusive Business Risk Reduction and Social Innovation Fund
IB-TAF	Inclusive Business Technical Assistance Facility
IFC	International Finance Corporation (private sector arm of the World Bank)
IIF	Impact Investors Foundation
ILO	International Labour Office
IMCB	Industry and Micro-Credit Board
KADIPA	Kaduna Investment Promotion Agency
KDSG	Kaduna State Government
KfW	Kreditanstalt für Wiederaufbau, German Development Bank
K-IFC	Kaduna Industry and Finance Company

K-PBC	Kaduna State Planning and Budget Commission
K-PPA	Kaduna Public Procurement Authority
L-MCIC	Lagos State – Ministry of Commerce, Industries and Cooperatives
L-MEPB	Lagos State – Ministry of Economic Planning and Budget
L-MoA	Lagos State - Ministry of Agriculture
L-MoF	Lagos State – Ministry of Finance
L-MWAPA	Lagos State – Ministry of Women Affairs and Poverty Alleviation
L-MWCE	Lagos State - Ministry of Wealth Creation and Employment
L-MWCW	Lagos State – Ministry of Wealth Creation and Employment
L-OPP	Lagos State – Office of Public-Private Partnerships
L-OSDG	Lagos State - Office of SDGs and Investments
L-PPA	Lagos State – Public Procurement Agency
L-TOCI	Lagos State – Office of Transformation, Creativity, and Innovation
M-MoF	Kaduna Ministry of Finance
NABII	National Advisory Board for Impact Investing
NACCIMA	Nigeria Association of Chambers of Commerce, Industries, Mines and Agriculture
NAICOM	National Insurance Commission
NASSP	Nigeria National Social Safety Net Programme
NEFA	Nigeria Association of Women Entrepreneurs
NESG	Nigeria Economic Summit Group
NIPC	Nigeria Investment Promotion Commission
NBS	Nigeria National Bureau of Statistics
NLSS	Nigeria Living Standard Survey
PIB	Planning and Investment Board
SB	Sustainable business that is, companies that create solutions for poor people, the environment, and for commercial viability
SIDA	Swedish International Development Agency
SIFC	State and Industry Finance Company
SME	Small and Medium Enterprises
SMEDAN	Small and Medium Enterprise Development Association of Nigeria
SNV	Netherlands’ Development Agency
TA	Technical Assistance
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
USD	United States Dollar (\$), This study used a black-market exchange rate of N790 to \$1. The official exchange rate as of N441.8 (56 per cent of the market exchange rate)
VAT	Value-Added Tax

1. BACKGROUND AND RATIONALE

FOR INCLUSIVE BUSINESS IN NIGERIA

1.1 Request for the Inclusive Business Landscape Study

Inclusive development and poverty reduction require a supportive private sector. Nigeria is the largest country in Africa by population (211 million people). However, its development path is biased towards the petroleum industry generating export revenues but not contributing much to poverty reduction. After two decades of uneven growth, poverty remains widespread (41 per cent), and living standards are low for most Nigerians. COVID-19, the global economic challenges triggered by the Russian war in Ukraine, and the resultant trade impediments further aggravated poverty in 2022. The governments at the federal and state levels increasingly realise the need for deep socioeconomic reforms, including unleashing the potential of the private sector to create relevant solutions for income and goods and services for the poor and low-income people.

A new business class is emerging worldwide, with entrepreneurs that do well by doing good for society. However, while many companies source from or sell to the markets of the poor, only a few companies provide relevant income or living standard solutions to those people. These companies are the so-called “Inclusive Businesses” (IBs).⁵ But while business opportunities exist at the base of the socioeconomic pyramid (BoP), the government must encourage a transition towards more inclusive businesses. Otherwise, the private sector will not contribute much to poverty reduction, and the government does not have sufficient resources and means to be the key driver.

Kaduna and Lagos states are committed to piloting a programme to create a better enabling environment for Inclusive Business in Nigeria (IBeeN). While many African countries have innovative IB models, Nigeria – after Zambia – is the second country in Africa to demonstrate a high commitment to setting up a dedicated IB promotion programme and pilot-test it in two states (Kaduna and Lagos). Such a programme is highly relevant for the changes (and continuities) expected after the 2023 elections in Nigeria. Federal and state governments pledge to promote a much more inclusive private sector-driven growth path with a direct poverty reduction impact. With decentralisation starting in 2019, state (provincial) governments play a significant role in delivering critical public services and promoting development. However, their social services and infrastructure financing depend on federal sources. Private sector investments are more related to where growth potentials are, where the infrastructure is good and where security is ensured. With the growth in the past decades not being inclusive, the government at the federal level and in Kaduna and Lagos states (as pilot regions for a possible national IBeeN program) welcome new ideas for engaging the private sector to engage more effectively in poverty reduction in Nigeria.

Nigeria learned from IBee development in Asia. In 2019 and 2022, the government of Nigeria participated in the ASEAN Inclusive Business summits (in Bangkok and Siem Reap). In 2020 representatives of the government and impact investors joined online seminars on Inclusive Business. In 2021 the Inclusive Business Action Network (IBAN) prepared a study on integrating IB into the former’s COVID-19 response package. However, discussions by the public sector (and its development partners) centre around social protection, vaccination, and education, and hope for trickle-down results for the poor coming from expected macroeconomic reforms to diversify the economy and create more and better-paid jobs. On the other hand, concrete suggestions for stimulating the private sector to engage in solutions for the poor were not taken up in the political reality so far.

⁵ For more information on the IB concept, see chapter 2.

KADIPA, the Lagos Office of SDGs and Investments and the Federal government requested this landscape study on Inclusive Business. In 2021, the government of Nigeria, through the Federal Ministry of Industry, Trade, and Investments (FMITI), the Kaduna Investment Promotion Agency (KADIPA), the Lagos State Office of Sustainable Development Goals and Investments under the State Commissioner (LSDG&I) and the Lagos State Ministry of Agriculture (L-MOA) officially requested iBAN to follow up with a landscape study on Inclusive Business in Nigeria. iBAN commissioned Nextier (an Africa-focused public policy consulting firm) to conduct the landscape study. The team, which started its work in July 2022, comprised two business consultants, a policy expert, and an international IB expert, in addition to two research assistants from Nextier.

1.2 Study Objectives and Methodology

Study objectives: The landscape study has five goals, including to:

- clarify the Inclusive Business (IB) concept for Nigeria
- profile IB company examples in Nigeria⁶
- assess the enabling environment for IB in the country
- proffer recommendations for a strategic programme for promoting IB, and
- advocate for a possible follow-up Programme on a better enabling environment for Inclusive Business in Nigeria (IBeeN).

Clarifying the IB concept: As an approach, IB creates relevant solutions for the poor through commercially viable private sector engagement in the markets of the poor using a result-oriented tool to generate benefits. Adapting the tool to the Nigerian context means setting the proper benchmarks for IB eligibility criteria with specific emphasis on company sizes, targeting poor and low-income people, and sector-specific outcome indicators.

Company assessment: The study based its assessment on a review of background materials on each company, interviews with the companies, and an IB rating.

- Longlisting, shortlisting, and interviewing potential IB companies: As a first step, a longlist of 111 companies with potential IB models was developed by reviewing relevant literature and recommendations from business associations, impact investors, and other relevant actors. The list of companies was refined by conducting further research on their operations. Then, equipped with more information on each company, a shortlist of 62 companies was developed and finally selected and 18 firms interviewed.
- IB rating: The study evaluated 14 of the 18 interviewed organisations as potentially inclusive businesses using a composite and weighted rating tool (with 30 criteria and 90 benchmarks). The criteria assessed (a) strategic intent in directly creating systemic impact for the poor and low-income people (not trickle-down benefits) while running a growing commercially viable business, (b) commercial success of the IB business line (in terms of revenue, growth, profitability, bankability, investment risk addressing), (c) company's responsible investment pattern (adherence to social and environmental safeguards and applying sound governance principles), (d) results of the deliberately designed IB business line to achieve social impact for the BoP (in terms of reach and targeting, depth, systemic transformation and women empowerment), and (e) the firms' business,

⁶ Note that the name of the landscape study should not be confused with a complete market assessment. Rather, examples of IB cases are featured in such study. The actual scope of IB business line in a society is much larger and particularly further emerging with IB awareness and incentives. For Nigeria – while the study found 11 Inclusive businesses, we assume the actual number is perhaps 30–50 in 2022.

technology, social and environmental innovations. IBAN developed and tested the rating tool in other countries and adjusted it to fit the Nigerian situation. The agreement on the different criteria weights, sector-specific benchmarks, and thresholds for small, medium, and large enterprises and poor, poor, low-income and better-off households was particularly important. Agreement on these was reached at the beginning of the consultancy in two 3–4 hours briefing seminars.

- After the interviews, the study drafted the IB companies' profiles and vetted them with the companies' management.⁷ These profiles comprised a summary of the rating but not the details.⁸
- IB readiness: The study rated 11 out of the 14 companies as IB eligible.

The study developed the policy recommendations in discussion with multiple stakeholders.

To assess the enabling environment for IB, the socioeconomic situation, SME development and the business environment, poverty and access to social services, and government and development partners' programmes relevant to IB were analysed. Representatives were interviewed from four government agencies, three business associations, the Impact Investors Foundation (an association for impact investors in Nigeria), and two development partners. Critical recommendations from these engagements were developed and presented at a workshop in Kaduna (on October 13, 2022) as part of the Kaduna Investment Summit and at a National IB Forum in Lagos (on October 28, 2022). This study summarizes those developments, the insights and findings, the policy recommendations as well as the way forward.

1.3 What is Inclusive Business?

Definition emphasising results for business and the poor: Inclusive Businesses (IB) are commercially viable private sector business lines that provide innovative, scaled-up and systemic solutions to the relevant problems of the poor and low-income people (bottom 40–60 per cent income groups or the base of the social pyramid [BoP]).⁹ Inclusive Businesses (a) create social impact for the poor by reducing income poverty and improving the living standards of the BoP, (b) do well for the commercial bottom line through good commercial returns, and (c) contribute to growth, poverty reduction and socioeconomic transformation, and sometimes also improve the environment and climate. This triple win is why governments are interested in promoting such inclusive businesses.

Engaging the poor in companies' value chains is not enough to qualify as IB: While mainstream companies often source from and sell to the poor, their design does not create scaled-up solutions for the BoP. For example, nearly all agribusinesses engage the poor as suppliers (or consumers); however, they often pay remuneration that perpetuates poverty, and such firms would, therefore, not qualify as IB. Similarly, many companies that emphasise their sales to the better-off also cover the poor. Still, the products may not be relevant, affordable, and accessible to the poor. Inclusive businesses must engage the BoP in ways that substantially increase their income (above the market rate) or provide relevant and affordable products and services. Companies that are not relevant for poverty reduction or projects and initiatives that are not commercially viable cannot qualify as IB. Instead, they are mainstream businesses, social enterprises, or traditional corporate social responsibility.

⁷ A summary of those company profiles is in Appendix A3.

⁸ During the interviews the companies were asked to do self-rating. Interestingly the results of the companies' self-rating and the consultants' more detailed ratings were very similar, suggesting a good understanding of IB by the consultants and honest feedback by the companies during the interviews.

⁹ The G20 developed in 2015 an IB Framework and defined IB as as "Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the pyramid, making them part of the value chain of companies as suppliers, distributors, retailers, or customers."



Figure 1: The Inclusive Business Triple Win

Strategic intent: Inclusive businesses are firms with a strategic objective to create solutions for the poor on a commercially viable basis. This focus goes beyond philanthropic, corporate social responsibility or social enterprises. Furthermore, they have a deliberate strategic intent to directly address the needs of the poor, not through trickle-down impact or the engagement of intermediaries. Inclusive businesses do not trade-off between commercial viability and social impact. Instead, social impact drives business return (and vice-versa). Some IB models also address environmental and climate change issues while helping the poor. Most importantly, these businesses maintain a solution perspective where the impact of the BoP drives business return (and vice-versa).

Direct impact matters. To qualify as an inclusive business, a company must create deliberate solutions and achieve tangible and direct impact chains (not through trickle-down assumptions).¹⁰ Furthermore, the social impact should be systemic and relevant for changing the poverty situation in a region, sector, or country. The business realises the objective if the impact has scale and makes a difference to the wide-ranging poverty causes.

Targeting the BoP: Inclusive businesses work with the base of the socioeconomic pyramid (BoP). The enterprises focus on the poor and low-income people, although less so with the extreme poor. Depending on the country's socioeconomic status (typically measured by the per capita gross domestic product or gross national income), the BoP are in the bottom 20–40 per cent (B20–B40) income groups. For developing countries like Nigeria, the BoP is composed of the bottom 60 per cent income groups, with the poor constituting the bottom 40 per cent and the very poor as the bottom 20 per cent. The poverty measure is expenditure per capita, often presented in United States dollars.¹¹ However, this figure is difficult to communicate in discussions with Nigerian companies. Therefore, the study used the poverty thresholds in monthly household income as follows: N20,000 for the “very poor” people,

¹⁰ For example, an agribusiness company that sources its products from traders cannot guarantee that the farmers have income increase above the market price. The only way to do that is by that business creating income opportunities above the market rate (the poverty line) thereby changing the poverty situation of the poor and in a geographical area.

¹¹ In 2018 the World Bank introduced a dynamic poverty concept based on the socio-economic status of countries, measured by GDP per capita. In September 2022, the World Bank then adjusted the purchasing power parity estimates from 2011 to 2017 standards and increased the international poverty lines for very poor countries from \$1.9 per capita per to \$2.15, for lower middle-income countries from \$3.2 to \$3.65, and for upper middle-income countries from \$5.5 to \$6.85.

N40,000 for the “poor,” and N60,000 for the “low-income”.¹² Those thresholds were verified in discussion with the government, companies, and other experts.

IB features: Key features of inclusive businesses are 1. Engaging the base of the economic pyramid (BoP) intentionally, 2. Pursuing financial viability, 3. Scaling the business model and 4. Measuring and managing impact.¹³ Inclusive businesses achieve impact through two key routes: income increase¹⁴ or living standard improvement.¹⁵ They engage the poor in five BoP engagement types (supplier, consumer, distributor, labourer, or shareholder). Engagement as a supplier is the main feature for income-generating activities (like agribusiness), and engagement as a consumer is the main feature for living standard models (like in social and municipal services). Inclusive businesses are typically in three types, namely as inclusive business models (companies with significant social impact and considerable revenue and high commercial viability), social enterprise initiatives (small impact firm or for-profit social enterprise), and inclusive business activity (a core business-oriented corporate social responsibility activity to pilot up-scaling).¹⁶

IB company characteristics

Definition	Inclusive Businesses are commercially viable business lines of private sector companies that deliberately create scaled-up, innovative, and systemic impact for the relevant income and living-standard problems of the poor and low income people				
4 IB features	1. Engaging the base of the economic pyramid (BoP) intentionally, 2. Pursuing financial viability, 3. Scaling the business model, 4. Measuring and managing impact				
2 routes to impact	income increase (more than the market rate, more than before, more than others)			living standard improvement (relevant, affordable, accessible goods and services)	
5 BoP engagement modes	supplier	distributor/ retailer	laborer	consumer	shareholder
3 IB approaches and 3 other company types	mainstream business	Inclusive Business			corporate social responsibility (CSR) work
		IB model (medium or large IB business line with large impact)	SE initiative (for-profit SE + small IB)	IB activity (piloting CSR as core business line)	
		real and potential IBs matter both for transformation			NGO driven social enterprise

Figure 2: The Characteristics of Inclusive Businesses

12 The thresholds roughly compare with the World Bank's new \$1.50, \$2.15, and \$3.65 international poverty lines (2017 purchasing power parity). Using an exchange rate of 325 Naira per \$1 in 2019, the ceiling for the very poor compares to the national poverty line (N 137,430 annual per person expenditure in 2019) which then translated roughly to \$1.93 at 2011 purchasing power parity per person per day, very close to the then international poverty line of \$1.9. The poverty line was constructed by the NSB to reflect average basic needs costs, including for food intake of minimum 2,251 calories per person per day (the so-called food poverty line) and essential non-food items for schooling, healthcare, housing and other goods and services. Using the national statistics, in 2019, 40.1 per cent of Nigeria's population or 82.9 million people (18.0 per cent in urban – 13.2 million people, and 52.1 per cent in rural areas – 69.8 million people) lived in poverty. For more information, see chapter 2.3

13 BCtA/iBAN (2021) Inclusive Business Features, <https://www.inclusivebusiness.net/node/5434>

14 By creating sustainable income opportunities in the value chains of companies involving the poor as suppliers, laborers, distributors, retailers or shareholders, and remunerating the poor well above the market rate so that they can systemically escape poverty.

15 By offering goods and service that are relevant, affordable, and accessible for the BoP.

16 The IB literature distinguishes 3 IB approaches, that is, (1) IB models (companies with business models achieving larger social impact, typically sponsored by medium or larger firms with good commercial returns.), (2) SE initiatives (for-profit social enterprises that achieve some scale or relevance in social impact and have a growing business model) and (3) IB activities (corporate social responsibility work that scales in impact and becomes a core business line with sustainable commercial return). The development of new enterprises is risky as many fail. The change of entrepreneurial spirit to do good while doing well is found more prevailing in existing companies than in start-ups, and medium-sized companies have a larger potential for innovation and change than resources restricted, smaller companies or large companies. An effective strategy to promote IB is aiming at companies transitioning into IB-M, SE-I, and IB-A.

Inclusive businesses operate in (nearly) all sectors: While inclusive businesses operate in all sectors, the Nigeria IB landscape study found more in the agribusiness sector, with some companies in household energy and fewer in social services, utility services, fintech, and industries. Given the substantial social needs in Nigeria, there is a lot of scope for inclusive business. With growing awareness, recognition and better incentives, it is expected that more inclusive businesses will emerge in Nigeria.

IB business lines are done mainly by medium-sized businesses: Companies of all sizes can deliver IB solutions; however, most of the players are medium-sized enterprises, given their greater power for innovation, flexibility, growth, strategic commitment, proximity to and understanding of the poor. While being closer to the poor (sometimes even owned and often engaged by them), micro-enterprises seldom qualify as inclusive businesses, given their small social impact and usually low commercial viability. In the IB discussion, the company size is only related to the IB model's revenue, not employment or assets. The discussion focuses on solutions for the poor, not investment parameters or formal sector employment criteria. For Nigeria, small firms can be classified as companies with revenue between \$0.05 million to \$0.5 million (N40–N400 million), medium-sized firms between \$0.5 million and \$3 million (N400 million–N7 billion), and large firms are above \$3 million (N7 billion).

Inclusive businesses differ from mainstream businesses, social enterprise, and traditional corporate social responsibility (CSR): While many companies work in the markets of the poor, Inclusive businesses are more the exception than the rule.

- IB differ from mainstream companies in their deliberate design for achieving direct and systemic social impact for the BoP, and they do not assume trickle-down effects.
- Inclusive businesses differ from social enterprises through their commercial or profit orientation and the scale of real impact they achieve.
- IB differ from corporate social responsibility (CSR) and philanthropic work (CSR) with respect to their core business and commercial orientation and in the emphasis on significant and profound social impact.
- While IB differs from green businesses, many of the former achieve deliberate impact on climate and the environment.
- Sometimes IB business lines are designed to create deliberate women empowerment impact, which goes beyond the gender of the business owners or women's engagement. Most private sector companies, however, insist that creating women empowerment is more relevant for them to achieve than contributing to gender equality, while at the same time always adhering to social safeguard standards, including same pay for women and men for doing equal work.

Inclusive Business - the private sector's contribution to a society that leaves nobody behind
 (no trade off between the business bottom line and benefits for the poor and low-income people)
 (transformation in a way that design for social impact drives return)

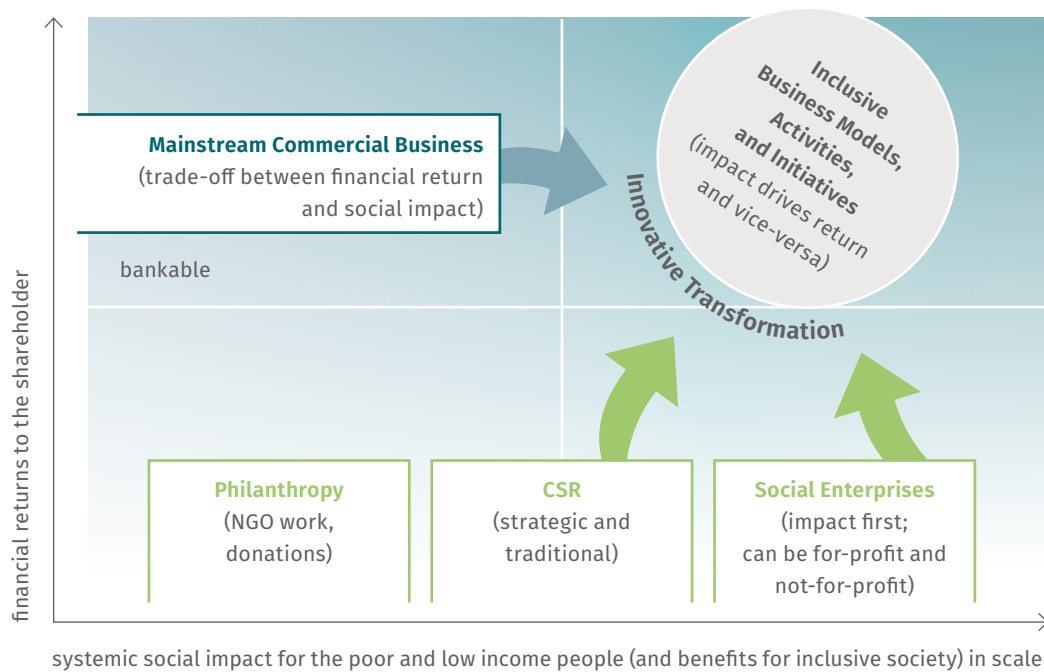


Figure 3: How Inclusive Businesses differ from other impact-focused Businesses

IB are innovative and transformative: Inclusive businesses must be creative in reducing business and BoP risks to work in the markets of the poor and achieve sizeable commercial returns. While innovations are primarily about the business and less about technology, many inclusive businesses adopt digital tools to streamline their business and reduce customer or supplier risks.

2. INCLUSIVE BUSINESS RELEVANCE FOR NIGERIA

2.1 Nigeria's Socio-economic Challenges

Nigeria is Africa's biggest economy at over US\$440 billion.¹⁷ However, from 2014, its macro-economic stability weakened, the currency depreciated, and inflation and unemployment surged, driving millions into extreme poverty. Although recovering from the COVID-19-induced recession in 2020, its economic growth rate is still slow. The economy grew at 3.4 per cent in 2021, the fastest in eight years, mainly from non-oil sectors like agriculture.¹⁸ Public debt as of June 2022 was N44.6 trillion.¹⁹ Nigeria has not benefitted from the surge in crude oil prices in the international market for various reasons, including low oil production, oil theft, etc. Therefore, investment in human resources remains key to boosting production.²⁰

Insecurity is on the rise and fast evolving into an existential crisis resulting in a redirecting of Foreign Direct Investment (FDI) from Nigeria to neighbouring countries with lower risk profiles.²¹ Nigeria trailed behind Iraq and Afghanistan in the 2020 Global Terrorism Index for the most affected country by terrorism. Insecurity due to the proliferation of small arms and light weapons (SALW) has led to over 80,000 deaths and 3 million Internal Displaced Persons (IDPs), according to United Nations Refugee Agency and the Council on Foreign Relations. Nigeria is estimated to have 6,145,000 SALW in the hands of non-state actors compared to 586,600 in the hands of the armed forces (The Institute of Security Studies, 2021). In the last decade, the defence has gulped a considerable chunk of Nigeria's budget to address these challenges.²²

Nigeria is the most populated country in Africa, with a population of over 200 million people. It has a young, vibrant, and rapidly growing population that is a leading light in the continent's entrepreneurial activities.²³ However, it has around 42.9 per cent (over 95.7 million people) living below the poverty benchmark of \$1.9 per day.²⁴ According to Bloomberg, the unemployment rate is high at about 33.3 per cent, the second highest in the world.²⁵ As of October 2022, inflation was 21.09 per cent, mainly due to the rising cost of Premium Motor Spirit

17 GDP (current US\$) - Nigeria (no date) Data. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=NG> (Accessed: December 9, 2022)

18 Izuaka, M. (2022) Nigeria's economy grew at 3.40 per cent in 2021, fastest in eight years, Premium Times Nigeria. Available at: <https://www.premiumtimesng.com/news/headlines/512104-nigerias-economy-grew-at-3-40-in-2021-fastest-in-eight-years.html> (Accessed: December 9, 2022)

19 Adegbesan, E. (2022) Nigeria's public debt hits N44trn, Vanguard News. Available at: <https://www.vanguardngr.com/2022/12/nigerias-public-debt-hits-n44trn/> (Accessed: December 15, 2022)

20 Taofik Salako and Lucas Ajanaku (2022) Nigeria not benefiting from high crude price, says NESG, The Nation Newspaper. Available at: <https://thenationonline.ng/nigeria-not-benefiting-from-high-crude-price-says-nesg/> (Accessed: December 15, 2022).

21 Ogunbiyi, T. (2022) Why Nigeria is losing its place as Africa's FDI Hub, BusinessDay NG. Available at: <https://businessday.ng/opinion/article/why-nigeria-is-losing-its-place-as-africas-fdi-hub/> (Accessed: December 15, 2022).

22 Yusuf, A. and Mohd, S. (1970) [PDF] Growth and fiscal effects of insecurity on the Nigerian economy: Semantic scholar, undefined. Available at: <https://www.semanticscholar.org/paper/Growth-and-Fiscal-Effects-of-Insecurity-on-the-Yusuf-Mohd/3492e2184041a5a6699a0a65ff2a983b67d88f68> (Accessed: December 9, 2022).

23 O.D.A. (2021) How Nigeria is evolving into Africa's leading e-commerce powerhouse, TECH dot AFRICA. Available at: <https://tech.africa/nigeria-ecommerce-growing/> (Accessed: December 15, 2022).

24 ILO, I. (2020) 95.7 million Nigerians to live below poverty line by 2022- World Bank, The ICIR. Available at: <https://www.icirigeria.org/95-7-million-nigerians-to-live-below-the-poverty-line-by-2022-world-bank/> (Accessed: December 15, 2022).

25 Bloomberg News (2021) Nigeria unemployment rate rises to 33 per cent, second highest on Global List.

(PMS), gas and diesel, partly resultant of the Russia-Ukraine War.²⁶ Unfortunately, Nigeria has the world's highest number of out-of-school children, at about 20 million. In addition, the country has low health outcomes resulting from challenges with its health delivery system. According to the World Health Organisation, Nigeria has one of the world's worst under-five infant mortality rates.

2.2 Nigeria's Business Environment

Nigeria is the most significant investment market in Africa. The economy is attractive to investors despite its low rating on ease of doing business (139 out of 190 countries in 2021). Insecurity, economic policies, government regulation, infrastructure, and taxation influence this ranking. The economy faces a complex regulatory environment and bribery but with a fast-growing youthful population.

An understanding of the legal and regulatory framework is vital for business operations. The business process in Nigeria begins with registration with the Corporate Affairs Commission (CAC). After incorporation, all business types must conform to the Companies and Applied Matters Act (CAMA). Foreign investors are encouraged to register with the Nigerian Investment Promotion Commission (NIPC) to secure a business permit. Businesses must comply with the various employment laws and Acts by the government. Taxes and levies must be paid and as at when due to avoid penalties. NIPC Act of 1995 guarantees unrestricted fund transfer. Disputes in the corporate environment are managed and addressed by civil courts.

The business environment needs to address specific structural challenges. For instance, epileptic power supply and resource mobilisation are significant constraints on business growth. Low competitiveness and productivity constrain entrepreneurs and manufacturers. There is also a problem of multiple taxations from the government at all levels. In addition, corruption, cyber threats, violence, and terrorism could worsen political instability. Addressing these challenges would need business adaptability and a flexible business model.

The 2016 Presidential Enabling Business Environment Council (PEBEC) Bill seeks to improve Nigeria's business climate by amending 23 business laws and regulations. The objective is to improve public service delivery, reduce the time, cost, and procedure for registering a business, enhance transparency, incentivise Micro Small and Medium Enterprises (MSMEs) support, etc. In addition, the government plans to sustain business growth through reforms in selected government ministries, departments, and agencies.

SME development is not enough to create development results for Nigerians. According to the Nigeria Bureau of Statistics, Nigeria had 41.5 million micro, small and medium enterprises (MSME) in 2017, with over 99 per cent being micro-enterprises.²⁷ The 2021 MSME survey shows that these companies contribute about 49.8 per cent to Nigeria's Gross Domestic Product (GDP), 76 per cent to total employment (59 million people) and 8 per cent to export earnings. The firms are primarily in trade (42 per cent), agriculture (21 per cent), other services (14 per cent), manufacturing (9 per cent) and accommodation and foods (6 per cent). About 99.8 per cent of them are micro-enterprises and are overwhelmingly in the informal sector. Given their small scale and low commercial viability, these companies could not qualify as inclusive businesses, even if they have a strong social intent. The companies have a high failure rate, with about 80 per cent failing in the first 18 months.

26 Ariemu, O. (2022) Nigeria's inflation hits 21.09 per cent in October, Daily Post Nigeria. Available at: <https://dailypost.ng/2022/11/15/nigerias-inflation-hits-21-09-in-october/> (Accessed: December 15, 2022).

27 Nigeria classifies MSMEs by employment (1–19, 10–49, and 50–199) and asset (0–5, 5–50, and 50–500 million naira)

2.3 Poverty, the Private Sector and Nigeria's Unmet Social Needs

Poverty is broad, deep, and subject to non-inclusive growth, climate, inflation, and insurgency shocks: In 2018/19, Nigeria's National Bureau of Statistics (NBS) conducted the Nigeria Living Standard Survey (NLSS).²⁸ This survey followed the 2010 household and expenditure survey the NBS completed using a different methodology.²⁹ In 2022, the World Bank published an excellent analysis of the 2018/2019 data and added findings from the 2020 COVID-19 National Longitude Phone Surveys. The study found that poverty in Nigeria stagnated between 2010 and 2018 and then rose sharply due to COVID and other crises. The national poverty was N137,430 per capita annual expenditure, and the vulnerability line was N206,145,³⁰ and the poverty headcounts compare roughly to the new \$2.15 and \$3.65 international poverty lines in 2017 purchasing power parity. Since 2019, poverty has increased due to the COVID-19 pandemic, food price fluctuations resulting from the Russian-Ukraine war, persisting poverty challenges of pro-rich policies, and slowing growth, macroeconomic challenges (trade restrictions, multiple exchange rates, low public budget, low spending for social services, oil price drop) as well as climate-related shocks, high population growth, and insurgency conflict events.

The base of the pyramid (BoP) thresholds: Globally, poverty lines in developing countries and emerging economies are constructed based on the minimum consumption needs. However, expenditure-based information is not helpful for discussion with companies.³¹ Companies focus more on the income thresholds of a poor household rather than the expenditures of individuals in a family. As the poor do not have savings and are often indebted, and their income is often in the form of in-kind contributions, transfers and family support, income is typically 10 to 40 per cent smaller for them than expenditure (depending on the saving behaviours in different cultures). Furthermore, to assess the targeting performance of inclusive businesses, it is essential to distinguish the BoP people from the better-off and disaggregate the BoP group into very poor, poor, and low-income people. The study used the BoP thresholds for Nigeria at N20,000, N40,000 and N60,000 for very poor, poor, and low-income people, respectively. Those thresholds were vetted with the government, companies, and other experts who found them reasonable.³² The thresholds would be roughly consistent with the \$1, \$2.15, and \$3.65 international poverty lines (2017 purchasing power parity) or the national expenditure thresholds of N137,430 annual per capita income for the poor and N206,145 for the vulnerable (low-income) people.

28 All data in this section are from the World Bank 2022 poverty analysis and other publications of the World Bank and the government.

29 The national statistical office and the World Bank are currently preparing the next NLSS round, but data may not be available before early 2024.

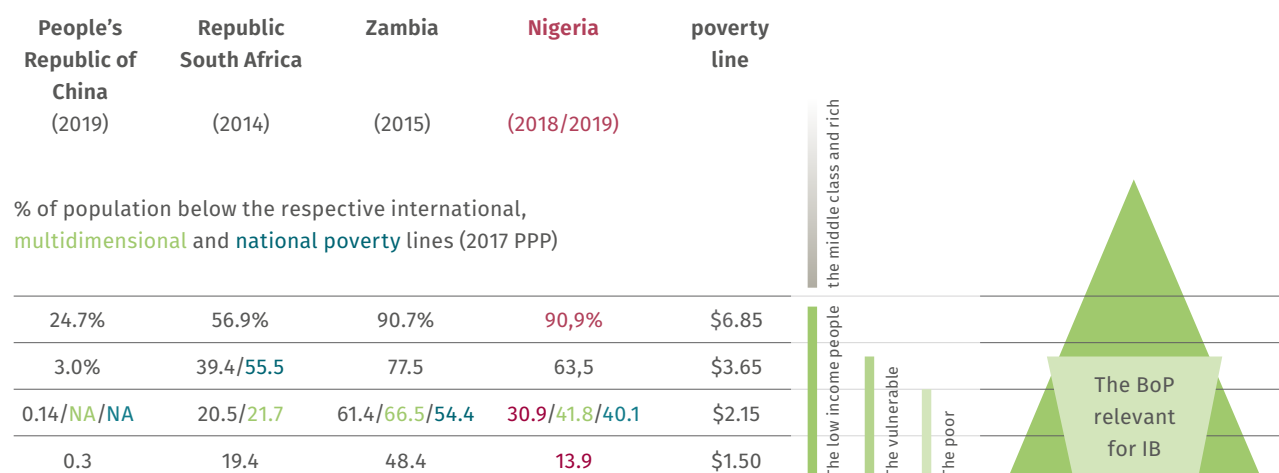
30 The World Bank set the vulnerability line internationally at 1.5 times the poverty line.

31 In OECD countries, relative poverty lines are used and the threshold for poverty and social assistance payments are typically set at half of the median household income. International poverty thresholds use absolute concept of calculating poverty but then adjust those (since 2018) on the socio-economic status of a country as indicated through the GNI per capita category. Nigeria belongs to the low-income country group and the poverty threshold should therefore be \$3.65 (per capita per day expenditure), while Zambia for example is a poor country (threshold of \$2.15) and South Africa or China are upper middle-income countries with a threshold of \$6.85. In the same logic, the threshold for a country like Germany would be about \$22.

32 Few companies suggested to increase the thresholds to N30,000, N50,000 and N100,000.

The BoP

Countries have different poverty incidences; BoP focuses on the bottom 40% ++



Note: Poverty data are calculated from World Bank estimates in PIP update 8 Nov 2022 (purchasing power parity 2017)

Figure 4: The Base of the Pyramid in Nigeria and its Comparison

Poverty in Nigeria is particularly a rural phenomenon, with high incidences in the northern part of the country. In 2018, 40.1 per cent of the population (or 82.9 million people) were poor, and an additional 25.4 per cent (52.6 million people) were vulnerable to poverty. About 52 per cent of the rural population (that is 69.8 million people) lived in poverty compared to 18 per cent (13.2 million) in the urban areas. The poverty incidence varies a lot in the country, from as low as 4.5 per cent in Lagos state to 87.7 per cent in Sokoto state, with Kaduna State at 43.5 per cent, slightly higher than the national average.³³ However, poverty is generally much higher in the northern part and conflict-affected states. The poor are mainly young (48.4 per cent of the poor are children), uneducated (58.6 per cent of the poor have no education), underemployed, women and single mothers, live in families with larger household sizes,³⁴ are underemployed or work in non-productive agriculture (67.7 per cent of the poor are engaged in agriculture), trade and informal sector jobs (32.2 per cent are employed in own-account jobs).

Income poverty is high, but the multidimensional picture of poverty is even bleaker. For example, about 65.4 per cent of the poor are deprived of electricity (compared to 24 per cent of the total population), 70 per cent are not enrolled in secondary education, 69.8 per cent have not completed primary education, 60 per cent have no safe drinking water, and 53 per cent have no acceptable sanitation. Twenty per cent of the population (and much more of the poor) have no phone connection, and 60 per cent have no access to financial services. When multidimensional poverty is considered, according to the NSO 47.3 per cent of the population (97.8 million people) were poor, 63 per cent in rural and 18.4 per cent in urban areas, and 52.6 per cent in Kaduna state but only 4.9 in Lagos and 91.1 in Sokoto. The number of multidimensional poor is much higher when factoring international poverty figures. See appendices 7.1 and 7.2 for more data on poverty in Nigeria.

COVID and other shocks worsened poverty, and current inflation makes millions of Nigerian vulnerable. The longitudinal phone surveys between 2020 and 2022 show that poverty increased in the recent three years, adding about 6.1 million poor people, and increasing

³³ In 2018/19, the median deflated consumption was N149,697 per person per year for Kaduna, N310,008 for Lagos and N78,198 for Sokoto, the poorest state in Nigeria.

³⁴ The average household size in the 2018 survey was 5.06.

poverty to about 42.6 per cent or 95.1 million people in 2022. This is further aggravated by climate change and insecurity shocks (e.g., Boko Haram). In 2019, climate shocks affected 21.5 per cent of the country's population, but 27.7 per cent of the poor and an additional 22.5 per cent of the vulnerable poor, while it affected only 13.5 per cent of the better-off. This is particularly so because the poor are mainly stuck in rainfed agriculture and cannot be sufficiently engaged in productive agribusiness-related employment, where they can earn more than the market rate, sufficient to escape poverty systemically. However, in addition to climate shocks, there are many other shocks (64.3 per cent) affecting the poor, such as insurgency, theft, illness, and family and health-related shocks affecting the poor most. The incidence of such shocks is much higher in rural areas (71.7 per cent of rural poor are affected) than in the cities (60.6 per cent).

Stagnant poverty for a decade, rising recently

	2010	2015	2018	2020	2021	2022
national poverty line						
the poor	44.9	41.6	40.1	42.0	41.6	42.6
the poor and vulnerable people			65.5			
international poverty line (PPP 2017)						
the poor (\$2.15)	34.9	32.3	30.9		39.1	
the poor and vulnerable (\$3.65)	66.0	63.4	63.5		71.0	
multidimensional poverty			62.9			
population (million people)	158.5	181.1	195.9	206.1	211.4	216.7
number of poor (million, int. pov. line)	55.3	58.4	60.5		82.7	
number of poor and vulnerable (million, int. pov. line)	104.6	114.7	124.4	0.0	150.1	

sources: World Bank Poverty and Inequality Platform (23 Nov 2022); World Bank (Apr 2022): Macro Poverty Outlook; World Bank (Feb 2022): PovertyAssessment for Nigeria

Figure 5: Poverty in Nigeria is high, stagnant, and rising

Social poverty cannot be addressed through social protection alone: As advised by development partners, the government invested somewhat in social protection (cash transfer for the poor), but the scope of those programmes is minimal. In 2018, only 0.3 per cent of the poor received government transfers apart from school feeding,³⁵ and total spending for social safety net programmes was only 0.3 per cent of the 2016 GDP, way below comparative countries. The government managed to increase participation in cash transfer programmes to 3.9 per cent of poor households by 2021. However, coverage remains very small. Actual payment is just 47 per cent and the benefits going to the poor are very small. Therefore, this intervention will not substantially change poverty in the country, even if these programmes are expanded. Furthermore, the current government find it politically (and maybe, ideologically) challenging to abolish the costly fuel subsidies which mainly benefit the better-off and use that money for innovative poverty reduction programmes.³⁶

³⁵ About 12.7 per cent of the Nigerian children lived in households benefitting from school feeding programmes.

³⁶ In 2021 fuel subsidies costed the government \$4.5 billion (2.5 per cent of GDP), more than any spending on health, education, or social protection. However, fuel subsidies mainly benefit the better-off, as only 22.6 per cent of the vulnerable people (and very few poor) had generators and 38.6 per cent owned motorcycles in 2019.

Income poverty cannot be solved through formal jobs: The World Bank expects that poverty will further increase in the following years unless the country enters a new growth path which is more inclusive. Given the low coverage and contribution of cash transfers, social protection measures – while being important – are not a panacea for poverty reduction, even if they were heavily supported during COVID times. Similarly, hoping for sound economic policies to stimulate growth or investing in human capital and infrastructure will not be sufficient to reduce income poverty. Instead, the creation of well-paying income opportunities for the poor is necessary. Such opportunities can only be sufficiently created by productive private sector investments in the markets of the poor and perhaps through public work programmes. However, most work engagements by the poor are through self-employment in agriculture, the household economy, and the informal sector or low-paid jobs. Raising productivity in self-employment is very difficult, and training or macro-economic policies are ineffective for these socioeconomic groups.

Inclusive Businesses in agribusiness can drive change: In 2018/19, only 11.7 per cent of the working population were primarily engaged in industry, with about 42.4 per cent in agriculture and 45.9 per cent in services. Among the poor, only 16.7 per cent had wage jobs, 38.4 per cent had farm jobs and 39 per cent non-farm jobs. While about two-thirds of the bottom 40 per cent (B40) income groups (that is, the poor) are engaged in jobs directly related to agriculture, experiences in many countries show that productivity enhancement in agriculture may not come from the farmers themselves. Still, they need to be driven by productive aggregators and agribusinesses that primarily offer smallholders good income opportunities as suppliers. Therefore, the key to poverty reduction is to increase the productivity of those jobs and encourage more Inclusive Business type of firms to invest in the markets of the poor, especially in agribusiness.

2.4 Market Opportunities for Companies Transitioning to Inclusive Business Lines

Inclusive Businesses can play a crucial role in addressing poverty and living standards of the BoP: IB creates income opportunities above the market rate, at higher than what they earned earlier and higher than at other mainstream companies. This income opportunity can be in agribusiness and other sectors (including tourism, trade, fintech, transport and logistics, productive energy, and technical training). It is suggested that the government sets up a deliberate programme to encourage more inclusive businesses and increase revenue growth, reach, and depth of income generation. Such programmes should not be confused with more investments in farmers or self-employment, or start-ups. Instead, this programme encourages existing companies to transform into Inclusive Businesses and to create impact in a somewhat top-down approach. In an economy where businesses profit from the better-offs or through non-productive and exploitative arrangements with the poor, it is not enough to simply wait for such IB companies to emerge. Instead, their emergence and growth needs to be encouraged. Section 5 below makes recommendations on how this can be achieved.

Large scope in agribusiness: The main contribution of inclusive businesses in Nigeria could be to deliberately design business models that substantially increase the income of the poor and low-income people above the market rate. This goal is best achieved through developing intensive and productive value chains in agribusinesses. Ten of the eleven inclusive businesses identified during the study emphasised income models, and eight were in agribusiness. Similarly, the poor buy most of their needs from the private sector (housing, water, household energy, health and nutrition, education, social protection services, etc.). Therefore, an effective poverty reduction policy should encourage inclusive businesses to deliberately target the BoP market with relevant, affordable, and accessible goods and services rather than mainstream businesses that do not provide for the poor.

Large yet unexplored opportunity in social and municipal services delivery but few IB so far: While there are significant unmet social needs in Nigeria, social and municipal services are not sufficiently provided by the government and civil society. Low-cost housing and slum upgrading are critical issues for the poor in urban areas; the provision of water, energy (for

cooking and lighting), mobile phones and financial services are significant problems in rural areas; and health, education, technical training, and job placement,³⁷ as well as insurance, are critical impediments of the BoP all over in the country. There are tremendous market opportunities for companies to develop affordable and relevant products for improving living standards (and income). However, the study found (perhaps except for energy) few companies are interested in and come up with innovative ideas to target that market. Of the 18 interviewed companies, only two were in health, two in energy and one in fintech. A comparison with other markets globally (and in Africa) shows that Nigeria may have relatively few IB companies in social and municipal services. There is a need to improve private sector awareness of IB sectoral solutions, learn from other countries and business-to-business exchange, provide relevant IB business coaching, and encourage companies that wish to engage in these sectors through incentives, finance, and recognition.

In the energy sector, the study found a few companies that address solar home lighting and one company focused on mini-grids. However, there was not much innovation in the productive energy use of the poor or the cooking industry. Energy support programmes emphasise grid electrification. While this is good, it will take a long time to target the poor appropriately. Meanwhile, innovative off-grid solutions for the BoP should be part of a more inclusive energy policy.

Inclusive Businesses can do much more for climate, the environment and women empowerment: The study found few IB solutions addressing environmental and climate problems. Four of the eleven IB companies had a business model that supported environmental objectives (in this case, biodiversity, and soil improvement), three had some features improving the climate (mainly through renewable energy), and five had women empowerment features. The women empowerment features could be strengthened and should go beyond women's involvement (two firms). Although the study didn't find any companies in the circular economy, the prevalence of slums in the cities indicates opportunities for waste collection and transformational investments. The Inclusive business coaching, IB awareness, and IB branding could help more companies to adopt better business models for the benefit of the people and the planet.

2.5 Private Sector Social Responsibility

Number of social enterprises perhaps overstated and its impact rather small: In 2022, the British Council published a report³⁸ on the state of social enterprises in Nigeria. The report is based on an online survey among 925 establishments, of which 515 responded, and 129 (25 per cent) identified themselves as social enterprises.³⁹ The report projects that 443,096 entities would qualify as Nigeria's social enterprises (SE). However, this study suggests that this figure is overstated, mainly because it (a) categorizes all cooperatives as social enterprises, (b) assumes that all NGOs with some economic activities are social enterprises, and (c) is based on a survey of 219 micro, small and medium enterprises (MSMEs) assuming 0.9 per cent have social enterprise objectives. Under a more rigorous definition, it is estimated that there are about 2,400 social enterprises in the country.

Link the SE to the IB agenda, rather than establishing a separate IB law: The British Council survey found that of the 515 identified SEs, only 25 per cent self-claimed them as SE, only 37 per cent were private limited companies, only 32 per cent were profitable (most of them with very low margins), only 31 per cent led by women, 49 per cent had problems accessing finance

37 About 42 per cent of the bottom 40 per cent income groups in Nigeria have no education at all and 90 per cent no post-secondary education See World Bank (Oct 2022) Poverty and Equity Brief for Nigeria.

38 British Council, 2022, The State of Social Enterprise in Nigeria

39 The criteria to be included as social enterprise comprise environmental or social objectives as core mission, not more than 75 per cent of the income being grants, and dividends not being paid to shareholders. Note that especially the profit use and the high grant criteria differ NGO driven social enterprises from IB initiatives.

and 68 per cent looked for grant finance. By sector, 34 per cent were in education, 40 per cent in employment and skill promotion, 27 per cent in healthcare, and 29 per cent in agribusiness (multiple naming was possible). The ecosystem is mainly characterised by incubators, workspace providers, and some grant donors, while impact investors are not very interested in SEs. This study sees some potential of about 100 social enterprise to scale their impact and become commercially viable SE initiatives. The government has not set up a policy to promote SEs, and this study suggests that the SE discussion is linked to the IB agenda and for-profit SEs being promoted to scale to SE initiatives or even IB models while not-for-profit SEs be included under NGO promotion schemes.

Number of Social Enterprises

	number of establishments		social enterprises in the British council report		the study's estimates			
					prevalence rate		numbers	
		percent	SE prevalence rate	numbers	SE	potential SE-I	SE	potential to transform into SE-I
NGOs	140,777		14.0%	19,709	1.0%	5%	1,408	70
Cooperatives	50,000		99.0%	49,500	1.0%	5%	500	25
Companies	41,543,028		0.9%	373,887			564	8
micro	41,469,947	99.824%			0%	0%	415	0
small	70,623	0.170%			5%	5%	141	7
medium	1,662	0.004%			10%	10%	8	1
large	796		0.0%		0.0%	0%	0	0
Total				443,096			2,472	103

Note: The data are from the British Council social enterprise report and the study's estimates based on a narrower SE definition

Figure 6: Estimated number of IB-ready social enterprises in Nigeria.

Large companies but small corporate social responsibility culture: Nigerians are charitable and help each other. So do companies. However, such philanthropic giving is mostly small-sized and focused on education, health, and security measures. They are not systemic in embracing many people or developing long-term financing. The government has not mandated companies to implement corporate social responsibilities (CSR), except in the oil sector, where the 2010 "Oil and Gas Industry Content Act" requires companies to do so and report on it. However, such reporting is not monitored, and there is no institutional setup for enforcing CSR. In effect, CSR does not play a critical role in Nigeria. Where it exists, it is not part of the core business nor systemic and scaled up for poverty reduction and social improvement. Large oil companies often use their CSR to do environmental cleaning. Large agribusiness or food companies invest in rural infrastructure and claim this as CSR since the farmers can also use rural roads and water sources. Big companies with known CSR are, for example, in the oil sector (Shell, ExxonMobil, Chevron, and the large indigenous ones) in telecom (MTN, Globacom, Etisalat), agribusiness (Nigeria Flour Milk, Nestle), banking (Zenith Bank, Guarantee Trust Bank, Access Bank) and in construction (Julius Berger Construction) and conglomerates (Dangote Group), to name a few.

The need to transform corporate social responsibility (CSR) and social enterprises (SE): A policy to promote Inclusive Business could be partly financed by transforming CSR funding of large companies into support for the former. It may also mean establishing a mandated contribution from large enterprises' CSR to the IB technical assistance and co-investment schemes. Furthermore, the IB promotion strategy could include a deliberate discussion and establishment of mechanisms (such as business coaching) to transform CSR into IB activity and SE into SE initiatives.

2.6 Implications for a systematic approach to Inclusive Business in Nigeria

Currently, the private sector contributes little to poverty reduction. Instead, it causes poverty through low productivity, low pay spiral and ignoring the relevant needs of the poor while concentrating on goods and services for the better-off. Many companies work in the markets of the poor but neither create income opportunities above the market rate nor products or services relevant, affordable, and accessible to improve their living standards. However, there is a huge opportunity to make profit while doing good in the markets of the poor. A few companies are already using those opportunities, and some of them are documented in this study. However, this will only scale to a movement when IB models are advocated, their differences from mainstream business are documented, and incentives and recognition are established to promote such IB companies. If the government wants to create more inclusiveness of growth (and better growth), it needs to engage in a deliberate strategic programme to promote IB. With new elections coming up, with insurgencies, climate and other risks mounting, and poverty and deprivation not going down, the time is right to make a difference to trickle-down expectations, pro-rich economic policies, and social protection programmes for a few. IB is a new development approach that would work.

Awareness raising and IB accreditation are good starting points: The private sector needs to be encouraged if the government wants them to work differently. Otherwise, Nigeria will continue yet another decade focusing on the same pro-rich growth that worsens income inequalities. Unfortunately, current development programmes do not encourage inclusive businesses. One reason found in the study is perhaps the lack of awareness among the policymakers. Business associations can help raise awareness and lobby for policy changes and incentives that emphasise and promote inclusive businesses. While investing in IB solutions is the private sector's job, creating a better enabling environment for Inclusive Business in Nigeria (IBeeN) is that of the government and other stakeholders, including investors, business facilitators and development partners.

Kaduna and Lagos states can pilot a national programme. As part of the landscape study, apart from the federal government, Kaduna and Lagos state governments showed interest in the inclusive business concept. Both Kaduna and Lagos can pilot a dedicated IB support programme for Nigeria, as outlined in section 5 of this report.

3. BACKGROUND AND RATIONALE

FOR INCLUSIVE BUSINESS IN NIGERIA

3.1 Study Methodology: Adjusting, Finding, Accrediting, and Promoting Inclusive Business

Adjusting the IB concept to the Nigeria conditions: In two internal workshops and with guidance from the international adviser, the study tools were adjusted to the Nigerian conditions. Primarily the thresholds for poor and low-income families⁴⁰ and the company sizes were determined.⁴¹ Also agreed were the criteria for longlisting and shortlisting of firms (company selection tools), the interview guide, the IB rating criteria and the proposed accreditation template.

Finding IB companies: The exercise kicked off with a list of more than a hundred companies across the two study locations (Kaduna and Lagos states, with some companies working country-wide), which were then prioritized selecting a shortlist of about 50 companies. The support of the investment promotion agencies in both states were leveraged to access the shortlisted companies. However, it was found that the government's initial approach was more on formal employment in manufacturing and less on the income generation aspects. A more focused list of companies was discussed with the Kaduna Investment Promotion Agency and a list of companies selected to be interviewed. While some companies were open to being interviewed as potential IB companies, some did not want to participate in the study as it was viewed as a government initiative. Only a few companies had the IB concept internalized. For most companies, the concept was new (albeit welcomed), suggesting the need to do more advocacy for the benefits of being IB.

Well-prepared interviews: Interviews were conducted with senior officials of the selected companies using a company interview guide for about 1.5 hours, during which initial suggestions on how the company could improve their social impact while achieving financial returns were discussed. Based on international IB experiences, this advice received high interest, especially the specific IB business coaching component.

⁴⁰ The thresholds were set at N20,000 monthly household income for very poor, N40,000 for poor and N60,000 for low-income families. For more information on the rationale and methodology see section 1.2

⁴¹ The study did not use the asset and employment-based thresholds of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) but rather focused on revenue numbers only. For more information on the rationale see chapter 2.

Identifying Inclusive Businesses using a composite rating tool ensures transparency and objectivity in finding such business lines: Next, the the company was rated using a composite tool comprising 30 criteria and 90 benchmarks, pre-agreed for all sectors and all company sizes. The numerical scores, zero to six (with six as having a high impact), were applied to quantitative and qualitative achievements. These categories are further subdivided into 30 criteria rated from zero to six based on pre-established guidance with different targets depending on the sector and size of the company. Subsequently, each IB line received a score based on a weighted average calculation (score = rate x rate).⁴² The summary of the certification system is outlines in Figure 7 below and the details are in Appendix 2.

The criteria emphasized four aspects for qualifying as IB:

- Strategic IB intent (that is, the understanding of the BoP sector, the deliberate orientation to do good while doing well, and particularly the wish and strength of the company to design a business model where social impact drives business return),
- Commercial viability of the company and determination of the IB line as significant, scalable, and sustainable. The analysis included questions on the company (growth, profit, bankability, corporate governance) and the IB business line (with a focus on revenue, growth, profitability, bankability, how the company addresses business risks, the company's corporate governance, and its adherence to social and environmental safeguards),
- Social impact of the company, with a focus on reach (number of beneficiaries in a historical context), targeting (impact distribution across the BOP), depth and relevance for income models (change in income of BOP, the difference between income from the market and competition, the sustainability of income generation and income growth of the BoP), living standard models (relevance, affordability, accessibility), contribution to systemic transformation (in terms of sector impact, geographic impact, poverty impact, addressing BoP risks, and women empowerment and gender equality); and finally the company's deliberate innovations and their relevance for the BoP. This assessment was conducted with a focus on business process innovations, technology innovations, social innovations, and CSR impact, as well as the environment and climate innovation (note the difference to environmental safeguards, which is analyzed under commercial viability). Companies, where environmental impact is not possible were rated neutral (three), while companies that could have an environmental impact but did not design for it were rated zero to two.

⁴² The rating tool used in this study is consistent with the IB rating tools used in other countries like Cambodia, Malaysia, Myanmar, Viet Nam

The IB accreditation system – summary of criteria and rating

	weight	sector benchmark	actual achievement	agreed rating (1–6)	scoring (Rate x weight)
The IB strategic intent (route to impact, BoP engagement mode, understanding BoP problems, relevance of the business for the BoP)					
The commercial return	40%				
company (size, profitability, bankability)	10%				
IB business line (revenue, growth, business risks, operational cost recovery and profitability)	20%				
company governance	5%				
ESG safeguard standards	5%				
The social impact of IB model	46%				
reach (beneficiaries, targeting, women empowerment)	19%				
depth and relevance	15%				
systemic change for poverty reduction and inclusion (sector, geographic, gender, relevance, BoP risks)	12%				
Innovation	14%				
business	5%				
technological	3%				
social (CSR, ...)	3%				
environment	3%				
Total	100%				

The rating (scoring)	maximum possible	minimum eligible to qualify as IB	actual scoring
IB strategic intent (understanding route to impact, BoP engagement mode, relevance of business model for BoP solution)	6.00	3.00	
overall scoring	6.00	3.20	
business (commercial + business and technology innovations)	2.88	1.30	
social (social impact + social innovation and CSR)	2.94	1.50	
innovation (sum of innovation)	0.84	0.40	
governance	0.30	0.15	
ES safeguard	0.30	0.15	

Note: Companies close to the minimum thresholds may qualify as “potential IB” and receive IB business coaching to make the company a real IB. Real IB companies receive access to public incentive programs. For broadening the IB initiative and results for society, it is more important to focus on the companies that can actually transition into IB.

Figure 7: Summary of Criteria and Benchmarks for the Inclusive Business Company Rating

Sharing results with companies: The rating report was sent to the companies for their feedback, and the write-ups adjusted accordingly with their responses. In addition, KADIPA and GIZ, as partner organizations, participated in some of the ratings to see how this is done. This rating revealed the companies' position as inclusive businesses and categorised them as real IB or potential IB, or otherwise as mainstream business, social enterprise, or CSR activity.

IB promotion: The study's insights and initial recommendations were introduced during the Lagos and Kaduna inclusive business forums further promoting the concept with a broader audience across the public and private sectors. The forums allowed for detailed discussions on IB, its benefits and potential challenges. Furthermore, companies whose ratings revealed that they had verified IB lines and practice shared their experiences and innovations at these events. Incentives for IB promotion were discussed with the various stakeholders. The proposed IB promotion programme is presented in section 5 of this study. The actual implementation of those suggestions is scheduled to be piloted in Kaduna in 2023–2024 with a potential upscaling nationwide thereafter.

3.2 Assessment of IB company types

Company assessment: The Nigeria IB landscape study initially looked at a longlist of 111 companies with potential IB business lines. After further background research, a shortlist of 62 companies was generated (further scaled down to 40 firms) and 18 companies were interviewed. Fourteen companies were rated, and 11 companies were rated as IB-eligible.⁴³ The study proposes that the government conduct the first official IB accreditation in 2023 with those 11 IB companies. The assessed IB companies have a consolidated revenue of N151,6 billion (ca \$237 million) and benefit about 5.6 million poor and low-income people in Nigeria.⁴⁴ All companies expect more significant growth, and the taxable revenue will at least double by 2025. While it is understood that these growth projections may not fully materialise for all 11 companies, the strong growth indicates that business leaders acknowledge the solid business potential in inclusive business. More importantly, if 11 companies can achieve such results for people and the economy, how much more can be achieved for the country and its people when the IB concept is more advocated and such companies encouraged? More information is in the various tables and the company profiles of Appendix A3.

Number of Companies assessed

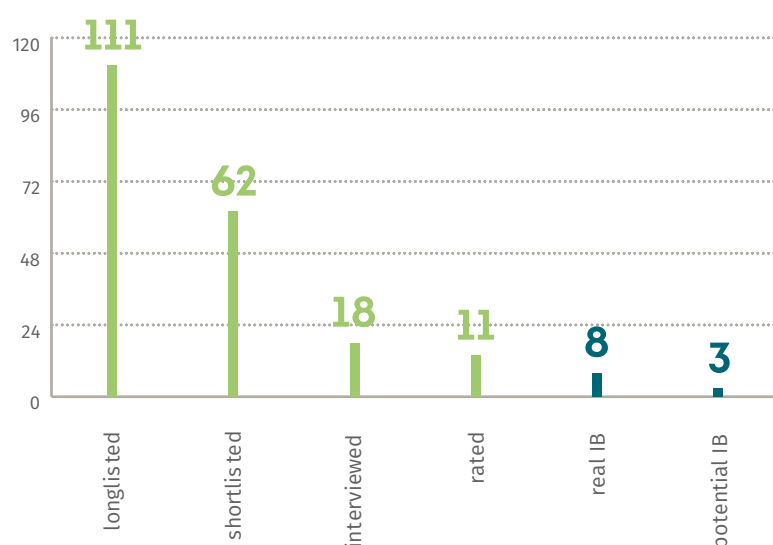


Figure 8: Number of Companies assessed

⁴³ A potential IB is a company with strong strategic IB intent but a scoring slightly lower than the eligibility scoring and a strong interest in transforming towards a real IB.

⁴⁴ The numbers may be higher but one large agribusiness could not provide the revenue and reach data.

By sector: Of the 11 rated companies interviewed, eight are real, and three are potential IB companies. Eight of the 11 IB companies are in agribusiness, two companies are in manufacturing and health and nutrition, two are in energy, and one of the companies is in finance. This profile shows a somewhat biased emphasis in the study on agribusiness, given that the shortlist comprised no municipal and social services companies. (See Figure 9 below).

Number of companies looked at (by sector)

sector	looked at				initial assessment, potential future IB companies		after IB interviews and rating		
	long-listed	short-listed	inter-viewed	rated	perhaps IB	maybe not IB	real IB	potential IB	non-IB
agribusiness	40	18	11	9	15	25	7	1	3
manufacturing, crafts	10	8	2	0	4	6	0	0	2
trade and other services	5	3	0	0	2	3	0	0	0
health and nutrition	13	10	2	2	4	9	0	0	2
education, training, job placement	4	2	0	0	1	3	0	0	0
insurance	2	2	0	0	2	0	0	0	0
housing	3	3	0	0	2	1	0	0	0
Transport and logistics	0	0	0	0	0	0	0	0	0
communication	5	2	0	0	2	3	0	0	0
energy	15	9	2	2	8	7	1	1	0
fintech	14	5	1	1	4	10	1	1	0
Total	111	62	18	14	44	67	9	3	7

Figure 9: Assessment by Sector

By Inclusive Business route to impact, 13 of the total and eight of the real and potential IB address income problems of the poor, while only one address living standard problems and two address both income and living standard problems of the poor. Again, this reflects the dominance of agribusinesses in the sample survey.

Base of the Pyramid engagement mode, ten of the 18 companies assessed and 8 of the IB companies, engage the BoP as suppliers, reflecting the dominance of agribusinesses in the study sample. Six companies engage the poor as consumers and one as a distributor. The two companies hiring the BoP as labourers are not IB companies. This point is important to note as the government, proposed assessing many more companies with BoP labour models. However, the study found that such companies only pay market-rate income and have low social reach; hence do not bring many people out of poverty.

By Inclusive Business approach, the study found eight IB models and three initiatives but no IB activity. This profile is an interesting observation because it indicates that CSR – although somewhat common among large businesses, primarily in the oil industry – has not much systemic impact on poverty reduction and does not achieve scale on social impact. The 2021 Petroleum Industry Act (PIA Act) mandates companies in the oil sector to use 3 per cent of their expenditures on community-driven projects. However, while laudable, the PIA Act (2021) provisions may not have much impact on poverty. The study suggests that the government is concretizing the PIA Act to target a certain percentage of the proceeds for accredited IB investments.⁴⁵

Potential and real IB: Of the 11 IB cases, the study found companies with high IB scores and examples where the companies didn't meet the IB thresholds. Appendix A3 shows that real IB models score much higher than potential IB on strategic IB intent, social impact, commercial viability and IB innovations.

By the size of the IB business line: four companies are small, two medium and five large. Figure 10 below presents the thresholds for the IB by business size. This result points to significant investment opportunities (in large companies), especially in agribusiness, while energy companies are still very small.

IB size (by annual revenue)

	micro	small	medium	large
Naira (million)	80	80–100	50–200	> 2,500
USD (million)	> 0.1	0.1–0.5	0.5–3	> 3
international discussion (USD)	< 0.3	0.3–1.0	1–5	> 5
	does not qualify as IB	SE-I, IB-A	IB-M (IB-A)	IB-M

Figure 10: Analysis on IB Company Size

By impact on the economy and poor people: The companies assessed had a combined revenue of N151 billion in 2022. They expect growth to double their contribution to the economy by 2025. The impact on poor and low-income people is even more convincing. 11 IB companies reached about 5 million poor and low-income people in 2022, of which eight companies created income opportunities for 4.1 million people, and three companies improved the living quality of 1,590 people.

The real inclusive businesses include Babban Gona (maize), Falgates (rice and sorghum), L&G Farms (dairy), Silvex (rice), Tomato Jos (tomato paste) and InfBranches (fintech). More inclusive businesses will emerge when the IB rating and accreditation system are in place, and the government accords recognition to such companies. Furthermore, institutionalising IB coaching and IB incentives will encourage more organisations to seek to become inclusive businesses. See Appendix 3 for a profile of the IB companies.

⁴⁵ However, there is doubt that this is possible under the current law because project proposals are supposed to come from the communities and not from the private sector, and funding is not centralized but goes to multiple Host Community Development Trust Fund, the results of their implementations not being supervised nor guided.

3.3 Assessment of IB companies by sector and their key Inclusive Business Innovations

Inclusive Businesses only in a few sectors: Of 18 shortlisted and interviewed, 11 were rated as real and potential IB (marked below with*). Of these, 11 companies were in agribusiness, 2 in manufacturing, 2 in health, 2 in energy, and 2 in finance. On the other hand, no potential IB companies was found in municipal services, telecommunication, transport, and logistics.. In addition, a potential IB in education was not willing to participate in the study. However, based on the feedback from the private sector, there are more IB companies in Nigeria.

The following companies were interviewed in the study, and key innovations of IB companies (those marked with *) are described below:

- Agribusiness: Achi Greens Farms Limited*, Agro Bar Magen, Babban Gona*, Bido Commercials Limited, Falke Industries Limited, Falgates Foods Limited*, L&Z Integrated Farms Limited*, Olam Ltd.*, Silvex International limited*, Tomato Jos Farming and Processing Limited*, Zuma Coffee Ltd.*
- Manufacturing: De-Lace Garments and RH Plastics Ltd.,
- Health and nutrition: Baby Grubs and R-Jalad Hospital Ltd.
- Energy: Okra Solar*, Solar Sisters*
- Fintech: Infibranches Ltd*, Mabinas Microfinance Bank Limited

3.3.1 Agribusiness as Priority

Agriculture is the backbone of the Nigerian economy and has most of the Inclusive Businesses:

According to the National Bureau of Statistics, agriculture accounts for 21 per cent of Nigeria's GDP.⁴⁶ Most of the companies assessed and rated in this IB landscape study are agriculture-related businesses that directly source and sell products, inputs and commodities to BoP farmers and consumers. The eight IB qualifying agribusiness in this study create sustainable income above the prevailing market rates by increasing the farmers' productivity and value addition, reducing their input costs, scaling yield, and addressing investment risks. While most IB agribusiness in this study engaged the poor as suppliers, some involved the poor as service providers and buyers of improved seedlings.

Agribusinesses constitute most of Nigeria's inclusive businesses. Some of them have exciting business features. These companies are typically not small, and some can be market leaders (such as Olam, Silvex, L&Z, and Babban Gona). Two companies are small by revenue, two are medium-sized, and 4 are large firms. All IB-rated companies create income way above the market rate and more than before, although some are at a lower rate (e.g., Archi Green, Zuma Coffee) than others (L&Z, Silvex, Babban Gona). Some are highly innovative in comprehensively addressing BoP risks (e.g., Babban Gona). Some have deliberate women empowerment impact (e.g., Silvex, L&Z, Babban Gona), while others are women-run but have a lower social impact on the poor (e.g., Archi Green, Zuma Coffee). Some companies also address environmental or climate impact through soil improvement and CO₂ reduction in their energy use (e.g., Silvex, Babban Gona). A brief cross-sectoral review showed that eight of the 11 IB companies assessed in the study are in agribusiness. They cumulatively reached 816,000 farmers and generated a revenue of N81.3 billion (\$128 million).⁴⁷

⁴⁶ National Bureau of Statistics 2022 Q4 Gross Domestic Product (GDP) report

⁴⁷ Note that these data do not yet include the value chain of Olam, for which concrete data were not yet provided.

Some companies have exciting business features, while others may qualify as IB, but their business model is less innovative and has scope to improve social impact. Others qualify as potential IB and need to enhance their impact on the poor. The average IB score for the eight agribusinesses was 4.11 (with 3.57 for strategic intent, 1.86 for business performance, 2.04 for social impact, and 0.52 for innovation). This score is better than the average for all IB companies assessed (3.93, 3.63, 1.87, 1.96 and 0.50, respectively) and higher than IB agribusinesses in other countries. This result indicates that the study identified good IB companies. However, it would be wrong to suggest that future analysis would find a trend for good IB cases only in agribusiness. Below is a short profile of good agribusiness Inclusive Businesses:

Babban Gona is an agribusiness company focusing on maize. Maize is the critical agro-product of the poor. However, the farmers typically record low productivity. Through a comprehensive approach, Babban Gona works with these farmers to improve their productivity. The support includes inputs (seeds, training, credit) and innovations (storage, marketing, product pricing). As a result, farmers within the Babban Gona value chain could increase their income thrice over the last five years. Furthermore, the company has a social reach of more than 0.5 million poor and low-income farmers (households) in its value chain. The company will have a considerable revenue of about N60 billion (ca. \$100 million) in 2022.

Silvex is a large company focusing on rice farmers with an N9.8 billion (ca. \$15 million) estimated 2022 revenue and about 32,000 farmers in its value chain. The company provides free but relevant training and technical support to the farmers. Furthermore, it offers them flexible loan repayment terms with a markup of 6 per cent over the total farming cycle. In addition, Silvex ensures off-take for at least half the harvest at the prevailing market price. The suite of support enables the company to increase farmers' income by three to four times in the last five years. Silvex also adopted climate-smart and regenerative agriculture practices that use less water-consuming rice seedlings. Furthermore, the company set up a women empowerment programme by adding a business line for parboiled rice in which all revenue goes to the women. The business line engages at least 4,000 women.

L&Z Farms is another interesting IB company in agribusiness. The company works directly with about 2,000 poor dairy farmers, most of whom are traditional herders with less than ten cows. The firm estimates a 2022 revenue of about N2.3 billion (\$7 million). The company significantly increase the milk farmers' income through its current practices. In addition, the company is developing a digital payment system for milk vendors. This tool will enable more financial inclusion for this group of currently unbanked people.

Tomato Jos is a leader in the tomato processing business. It introduced cost-shared drip irrigation to its poor farmers, reducing their income risks and substantially improving their productivity. Compared to Babban Gona, Silvex and L&Z, Tomato Jos is a medium-sized company with a revenue of about N300 million (\$0.5 million) and only 330 farmers in its value chain. One of its exciting IB features is that the company has off-take agreements with 1,000 maize and soya farmers (and intends to scale it up to 6,000 by 2025) to ensure food security and trust-building for the future enlargement of its core tomato business.

Falgates is another medium-sized IB company in the rice sector with an estimated revenue of N3.8 billion (ca. \$5.9 million) and engaging about 1,000 farmers in its value chain, with about 40 per cent of them being women. The company employs them as both suppliers and seedling purchasers. Most of the suppliers in the seedlings production business are women.

Olam is a large agribusiness that buys various commodities directly from farmers. The company controls more than 50 per cent of the agribusiness market in Nigeria and qualifies as an inclusive business mainly because of its size, high commercial viability, and extensive social reach. However, Olam sources only a small percentage of its inputs from Nigeria, while it relies on imports due to insufficiency of wheat. Compared to other inclusive businesses in the agribusiness space, Olam has room to improve on its business innovations and social depth, two areas where IB coaching could create a deep impact.

Other agribusinesses qualify as *potential Inclusive Businesses* and need to enhance their impact on the poor. These companies have IB ratings close to (but lower than) the IB thresholds. Some of these companies include:

Zuma Coffee would need to scale its business, make it more profitable (primarily through better technology use – a case for new investment) and ensure higher income for the supplying farmers. The company, however, is on its way to doing so.

Achi Greens Farm has a relatively low IB rating due to its low reach (only 50 farmers supply to the company), low contribution to income increases for the value chain farmers, and low commercial results (revenue of \$50,000). However, the study rated the company as a potential IB given its strong strategic IB intent and willingness to change its business model, as well as its strong women empowerment focus (70 per cent of the farmers supplying spices are women), strategic location, and its work with poor people in conflict-affected areas.

The study adjudged the other assessed agribusiness companies as more mainstream businesses for reasons such as low BoP targeting despite achieving good indirect impact for farmers but not specifically for BoPs (Agro Bar Magen), low-income increases, little to no BoP innovations, and less developed mechanisms for addressing BoP risks (Bido, Falke).

Accreditation, awareness, and impact monitoring are important: Only one company (Babban Gona) has a dedicated impact monitoring system, while three companies (Silvex, L&Z Farm, and Tomato Jos) wish to set up such a system but need technical assistance to do so. Nevertheless, all companies strongly supported the need for advocacy and transparently certifying IB companies. Such a process will highlight their comparative advantage and contributions to economic and social changes.

Not agribusiness alone: It would be a mistake for Nigeria to focus its IB promotion on agribusiness, notwithstanding its contributions to the national economy and many IB companies operating in the space. Several needs of the poor can be addressed by the private sector, especially in water and sanitation, urban housing, energy access, health, education, and insurance, as well as through trade, manufacturing, fintech and communication technology.

3.3.2 *Inclusive Business in Manufacturing and Handicrafts*

Limited IB scope in manufacturing: In 2021, Nigeria's manufacturing sector contributed about 15 per cent of the country's gross domestic product. The most significant contribution was from the food, beverage, and tobacco sector, which accounted for nearly five per cent of the GDP. While the study didn't identify manufacturing firms, they typically deliver CSR investments to give back to society. Manufacturers respond with low-priced and more miniature packaged goods to support the poor. This approach is not usually done out of a strategic intent to address the needs of the poor; instead, it is a commercial incentive. With a focus on companies that generate employment, the government directed the study to look at manufacturing companies. While these companies were large (per the Nigeria context) with revenues of \$10–50 million, they were small in social reach and depth (per the IB context). Typically, these companies had 100 to 200 BoP people employed, paid them market rate, and there was little scope to increase social reach and pay substantially. Their business model was oriented more towards cost saving, and they targeted their products at the mass market instead of markets that generate higher value. As in many other economies, the scope for finding IB in the manufacturing sector is relatively small.

Only limited potential in handicrafts: Nigeria has a rich history in crafts, as every community and tribe have historical stories told through artefacts and wares made by poor persons. These companies are mostly small, and their items are primarily marketed to tourists and collectors by intermediaries who buy from the poor at low prices and sell to the final consumers at exorbitant prices. Some IB opportunities may exist in this space, although the study did not deliberately search for such businesses in the craft and trade sectors. However,

a lack of awareness limits the potential for more IB. Similarly, Nigeria will see more IB in the handicraft business when the entrepreneurs learn how to emphasize value addition over cost savings and how to sell to high-value markets. Nigeria does not have a lot of tourists primarily because of the insurgency problems in the country and a less developed tourism industry. Innovative IB-specific business coaching to circumvent the intermediaries, scale up production and add value to the final wares of artisans are needed to help transform the sector.

No Inclusive Business in the mining and oil sectors, but traditional CSR: According to the National Bureau of Statistics, mining and quarrying make up only 0.17 per cent of employment in Nigeria. The country has a diverse mining sector comprising high-value commodities, with over 44 minerals deposited in over 500 locations. According to the sector bulletin “Mining Weekly,” three of the 26 minerals exported account for 73.81 per cent of total exports. These commodities are zinc ores and concentrate, lead concentrate, silica sands, and quartz. Nigeria’s mining sector currently generates just 0.3 per cent of the GDP and leaves the country scrambling to import minerals, like salt and iron ore, which the country can produce locally. By contrast, the oil and gas sector contributes about 10 per cent of the GDP and 65 per cent of the government’s revenues. However, the sector’s impact on people in terms of employment or value chain engagement is minimal. The IB landscape study didn’t involve any mining or oil company but is aware that most of these businesses contribute to society through corporate social responsibility. However, these CSR activities do not necessarily have a strategic IB intent, are typically not sustainable, and are not primarily designed to address the country’s poverty situation fundamentally. However, seeing that most miners are often BoP people who usually receive low pay for their hazardous excavation activities, the government could encourage IB practices among the mining company. Awareness of IB practices through advocacy, coaching and incentivization will trigger more interest in this sector.

IB as a feature of Industry 4.0: Companies in Nigeria’s manufacturing sector are rather traditional. It is necessary to ensure business associations, the financing industry, the government, and experts discuss how to improve their productivity. While such transformation will include a stronger focus on digitalization, it may be relevant for the country to emphasize creating business lines with the deliberate purpose of addressing problems of the poor and the planet. Against this context, transforming existing mainstream firms into Inclusive Businesses through leveraging technology could be a way to combine the strong start up culture in Nigeria with IB development.

3.3.3 Inclusive Business Solutions in Municipal Services

Significant social needs but few IB companies: The discussion in chapter 2 shows that the poor people in Nigeria have substantial social needs, especially in health, nutrition, education, job placement, and social insurance. Despite the country’s low purchasing power, market opportunities exist in all those sub-sectors. Providing municipal services to all its people is among the core tasks of local government. While the government provides some essential services (such as public health, education, town planning, housing, waste disposal, local transport, and roads), most Nigerians have limited access. The services are often of low quality, while nevertheless expensive. Several factors (like high population growth, inadequate funding capacity of local governments, and ineffective and often politicized local governance) further exacerbate the already challenging situation.

Opportunity for the private sector to engage: The private sector has a chance to provide innovative business models per the experiences of other countries. However, this opportunity depends on whether the government can provide the right enabling environment. It is imperative to have proper licensing and public procurement policies emphasizing result-based approaches to address the needs of the poor. In addition, relevant governments at the state and municipal levels must realize that an IB-oriented private sector is better equipped than government institutions or mainstream businesses to address the problems of the BoP.

However, the study found few companies offering low-cost municipal services and solutions; unfortunately, none was included in this study. There is scope for systematic IB advocacy to showcase successful IB business models in Nigeria's municipal (and social) sectors.

3.3.4 Inclusive Business Solutions in Social Services

Education is a significant market opportunity: Nigeria's government structured its education system on the 6-3-3-4 formula, which subsequently changed to the 9-year basic education curriculum. While secondary school attendance and primary education attainments increased between 2003 and 2018 from 29 to 36 per cent and from 65 to 70 per cent, respectively, a large share of the poor, particularly girls, still have no education. While schooling is officially free, about 10.5 million of the country's children aged 5–14 years are not in school, only 61 per cent of 6 to 11-year-olds regularly attend primary school, and only 35.6 per cent of children aged 36–59 months receive early childhood education. The situation is dire in Northern Nigeria, where attendance is 53 per cent, and female attendance is further down at 47 per cent. Socio-economic and cultural factors discourage school attendance in northern Nigeria and significantly affect educational outcomes.

The private sector is actively involved in education, but not for the poor: School enrollment in Nigeria is low (68 per cent for primary and 54 per cent for secondary education). Furthermore, education quality in public schools is also low. As in many other countries, the private sector plays a role in providing high-quality education. According to recent government statistics, in 2019, about 19 per cent of elementary school children were enrolled in private schools, and 37 per cent of all children were in private middle schools. However, while the private sector has bridged the supply gap, most students attending these schools are in the middle-income and wealthy classes. This scenario leaves the people at the BoP with little or no alternative but to patronize the ill-equipped state schools or the unlicensed private schools. IB models in education that target the markets of the poor are rare in Nigeria. The government could incentivize organisations to leverage innovative IB models to provide quality education for the poor.

Experiences from other countries show IB models in skills training and job placements:

There is an effective link between innovative financing of skills development and job placement. While the study did not find any such business models in Nigeria, there is a chance that they exist. Therefore, an IB advocacy programme should include the education sector as it is relevant for innovatively addressing youth unemployment. This approach is more impactful than self-employment or vocational training.

Weak health services provided for the poor: With the dire state of healthcare service delivery in Nigeria, it is difficult for the poor to access adequate services. Therefore, the poor resort to quack services which further endanger their lives. Typically, the poor refrain from using these unaffordable and poor-quality services. Experiences from other countries show that the private sector provides optimal healthcare services to the poor. These operatives innovate business models that provide no-frills but high-quality service and large-scale but low-cost solutions. Some of the solutions are financed through cross-subsidization.

While Nigeria's federal health budget has consistently increased, it has failed to attain the 15 per cent of the total budget benchmark set by the African Union. COVID-19 further aggravated the bleak situation in the health sector.

Very few IB businesses in health: The study looked for IB business models in the health sector. Tulsi Chanrai Eye Hospital is a good example. The hospital, which conducts eye surgeries, subsidises the fees the poor pay with those paid by the better-off. The hospital modelled its business after the Indian Aravind Eye Hospital, which conducts large numbers of cataract surgeries at low cost but with the highest quality. The hospital reduces surgery costs through a well-designed doctors' training programme and having qualified doctors perform many surgeries simultaneously through rationalised time inputs per patient. The hospital uses well-trained nurses to provide after-care services. However, due to time constraints, the company could not be interviewed.

Another example was R-Jolad, a hospital chain strategically located in Nigeria's peri-urban areas. While the company is well-located to serve the poor, it does not have the strategic intent or focuses on the BoP. The company explained this lack of focus because there is no credible health insurance programme the poor can use to pay for the services.

Inclusive Businesses possible in nutrition services: In more developed markets, agribusinesses expand their business models to address nutritional challenges. While Nigeria has such companies, they are not explicitly designed to address the nutritional needs of the poor. The study interviewed a company called Baby Grubs, addressing babies' proper nutrition. However, the company focuses its sales strategy on the middle class, so it does not qualify as an Inclusive Business. Such inclusive businesses focused on nutrition are often easier to establish in nutrition-conscious societies. It is helpful when the government has a nutrition programme that sources from IB companies. Nigeria has some school feeding programmes, but it procures through mainstream businesses, many of whom import their products.

Insurance is a potential IB business opportunity: Healthcare systems are more effective in countries with functional health insurance programmes. Such programmes cost between \$8 to \$10 per annum, which is affordable to the poor. Nigeria's recently enacted National Health Insurance law has provisions that should make health insurance affordable and available to the poor. However, Nigeria still does not have large enough insurance coverage. Health insurance could be a critical strategic sector to encourage IB as it can substantially improve service delivery to the poor.

3.3.5 Inclusive Business Solutions in Energy

Potential to invest in solar home systems: Only 57 per cent of Nigerians had access to energy in 2018. Most poor Nigerians do not have electricity or good cooking energy. The electricity grid expansion is inadequate; as such, the government set up the Rural Electrification Agency as a conscious effort to pull in the private sector to provide off-grid solutions to the rural areas. Several companies operate in the space to address the new market opportunities with innovations primarily based on solar household energy.

Inclusive Business models in energy provision: Businesses should recognize the peculiarities of their target market as more off-grid solutions become ubiquitous among the poor community. In essence, the poor need reliable and affordable energy. Several businesses are exploring these opportunities. Some provide Energy as a Service (EAAS) solutions on a mesh grid platform that ensures access to many BoP persons. Nigeria has several companies in the off-grid space. The study involved two of them for this report.

Solar Sisters is a women-led social enterprise selling solar products (mainly clean cookstoves, solar lamps and solar home systems) through self-employed women initially trained by the company and then engaged as down-account distributors. It has a growing revenue base of N400 million (about \$0.37 million) in 2022 and aims at increasing revenue to N600 million by 2025.

Okra Solar, on the other hand, is a solar grid provider that powers homes and businesses. The company used its mini-grid to connect 300 households in its first year of operations but aims to increase its reach to 10,000 persons by 2025. The company provides power to the poor through a cross-subsidisation from the better-off within the grid.

3.3.5 Inclusive Business in FinTech

Financial inclusion does not guarantee an impact on the BoP: In recent decades, central banks, commercial banks, and microfinance institutions have done a lot to improve financial inclusion and broader market access for the poor. There is a clear shift from traditional banking services (through expanding networks in rural areas) to product diversification relevant to poor people's financial needs and diversification of the supply structure using mobile banking facilities. Nevertheless, there is still a significant backlog in the financial infrastructure. The 2020 Enhancing Financial Innovation and Access (EFInA) survey showed that only 51 per cent of Nigeria's adult population uses formal financial services, while many more use informal money lending sources. With about 92 million smartphones in the country, many such transactions are made online. Nigeria's Fintech's have consistently received seed funding from the international finance community, even creating some of the country's first unicorns. This development encourages more entrants into the sector to provide financial services targeted at those who are traditionally excluded, like those at the BoP. The Central Bank of Nigeria issues clear regulations and licenses more companies to provide these services. With the relevant policy support, Nigerian FinTech's are encouraged to seek market opportunities among lower-income groups like those at the BoP. But while more banks and microfinance institutions address the markets of the poor, this does not ensure that financial inclusion automatically reduces poverty. Instead, Nigeria needs institutions with specific financial products relevant to the poor. Such products include targeted loans, saving and insurance products, innovative payment solutions, collateral-free financing arrangements, innovations to address interest rate risks, etc.

Innovative FinTech IB Opportunities – The InfiBranches Example: The IB study reviewed finance services companies to identify possible IB models. While there may be more FinTech inclusive businesses, the study interviewed one company that provides a strong IB case: InfiBranches. This company is an interesting inclusive business in the Nigeria fintech space, combining innovative financial products for the poor with an emphasis on financing renewable energy solutions, mainly for productive use. The company combines a financial platform with point-of-sale services to the poor through a series of agents in the target communities. InfiBranches expects to end 2022 with about one million transactions (perhaps 8 per cent of which will be in the solar business) from 250,000 customers. This target is up from 0.9 million transactions from 100,000 customers in 2019. The company anticipates 5 million transactions in 2023 and 12 million in 2025, serving about 2 million customers. In 2019 the company had 1,200 active agents (with 1,000 women). The company projects that it will have about 80,000 agents by 2025. The company expects N70 billion (\$108 million) in revenue and 159,000 household connections in 2022.

3.4 Key Policy Support Recommendations from IB Companies

Dedicated support programme better than mainstreaming: The interviewed companies suggested several inclusive business promotion ideas emphasizing a reliable IB promotion programme. They indicated that the programme should have a dedicated implementing agency responsible for delivering the results. This suggestion is relevant when reviewing the feedback from Kaduna and Lagos states. While the Government of Kaduna saw the potential for a dedicated IB strategy, the discussion in Lagos centred around how to use the IB concept to improve what the state is already doing with its SME development and poverty alleviation programmes. The latter didn't emphasize creating a new, dedicated structure for IB promotion.

Companies highlighted the need for IB accreditation and acknowledgement: The companies highlighted the need for clarity on what inclusive business is. They cautioned on the risk that the concept could be misused for "impact-washing" existing programmes. All the interviewed companies strongly supported establishing an IB accreditation or certification system. They suggested defining the criteria clearly and using independent and neutral third parties to conduct the assessments. For instance, they offered a joint accreditation process between the government and business associations. To broaden inclusive business acceptance and

ensure consistency, the companies suggested that IB accreditation should be done at the federal level rather than separately by the many states. However, the States should provide and manage their programme incentives.

Innovative incentives: The companies suggested setting up smart incentives for inclusive businesses. The incentives should be provided only to accredited inclusive businesses, not to firms that claim to be such but have not undergone the rigorous third-party assessment. Some of the proposed incentives include to:

- Reduce fees and business registration costs (which can be done at the state level)
- Avail existing investment incentives (such as pioneer status) to accredited inclusive businesses
- Establish innovative tax incentives for accredited inclusive businesses to use the reduced tax payments for new investments, expand their social reach, or deepen their business line's social impact. The companies appreciate the need to design tax incentives intelligently to expand the government's tax base,
- Set up infrastructure leasing incentives where the government co-finance companies that build relevant infrastructure for the BoP and the public. This idea is different from the current infrastructure support programmes set up to encourage investments for business purposes,
- Incentivize companies to import technologies to expand their social impact on the BoP, directly
- Provide IB financing incentives to accredited IB companies. For instance, the companies can access foreign currency (official exchange rate) for new investments targeted at the BoP,
- Reduce government obligations and adopt modern technologies (e.g., mixing fertilizers).

Targeting IB in public procurement: Several companies suggested that the government can earmark a certain percentage of its public procurement budget for accredited inclusive businesses. This incentive will create a large market for inclusive businesses and incentivize other businesses to seek accreditation. Such an initiative could substantially improve service delivery to the poor. For instance, it could be relevant for agribusinesses involved in school feeding programmes, hospitals engaged with public health programmes, or other companies involved in water provision, energy services delivery, etc.

Financial incentives should focus on the impact investing industry: Nigeria has a high cost of capital with interest rates above 20 per cent. The country has various subsidized credit schemes for SMEs. However, very few companies receive such credit through the formal banking structure. Impact investors are becoming more active in Nigeria to address this need. However, they are cautious about investing their funds given the macroeconomic challenges in the country. The interviewed companies suggested that a risk reduction fund could help increase available market capital. Such a public sector-driven fund would be used to co-invest with impact investors, thereby reducing their investment risks. The features of this risk reduction and social innovation fund are further described in chapter 5.

Further deepening of macroeconomic reforms needed: Without prejudice to the above suggestions, Nigeria must urgently address its macro-economic challenges, including high inflation (15 per cent, one of the highest in sub-Saharan Africa), strengthen expenditure and debt management, accelerate fiscal consolidation by limiting the high costs of the fuel subsidies (\$4.5 billion in 2022, or 2 per cent of GDP), and address the heavily unbalanced foreign currency exchange rate differential between the market rate (of about N800 to \$1) and the official exchange (about N460 to \$1). These challenges result in high import costs, low technology use, and generally low productivity, especially in the SME sector.

4. ENABLING ENVIRONMENT FOR INCLUSIVE BUSINESS

New development ideas with a private sector focus are welcomed in the 2023 election year:

The outgoing government of President Muhammadu Buhari promised to lift 100 million Nigerians out of poverty through targeted programmes⁴⁸ that have produced less than stellar results⁴⁹ despite the enormous amount spent. As Nigerians gear up to change their political leadership in early 2023 (at the federal level and in most states), and with almost all candidates decrying the state of poverty, this is the best time to consider and include Inclusive Business promotion in the development agenda. Working with various development partners, business associations, state agencies, and the private sector, the government may consider creating an enabling environment for Inclusive Business to become mainstream.

Private sector wishes for tangible Inclusive Business Support Programmes: For the private sector players to ingrain inclusive business ideals and principles in their business practices, there needs to be ownership and a concerted effort to propagate them. Stakeholders at the state and federal levels must be willing to champion and coordinate the various activities (like business coaching and accreditation) that will serve as tools to encourage more businesses to imbibe and create Inclusive Business lines in their value chains. During the policy engagement for the Nigeria Inclusive Business Landscape Study, the identified various stakeholders interested in championing inclusive business at the state and federal levels.

4.1 Inclusive Business Stakeholders and Actors

Overview of Institutions: Eight institutions were interviewed during the project, including:

- Government agencies: Kaduna Investment Promotion Agency (KADIPA), Nigeria Investment Promotion Commission (NIPC), and Lagos State Office of Sustainable Development Goals and Investments
- Business Association: Nigeria Association of Commerce, Industry, Mines and Agriculture (NACCIMA)
- Impact Investor: Emerging Africa Group (EAG) and Impact Investment Foundation (IIF)
- Development Partners: African Development Bank (AfDB), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Additional inputs were obtained from other agencies in Lagos, Kaduna and at the federal level. Several representatives of these agencies participated in the Kaduna Inclusive Business seminar and the national Inclusive Business Forum held in Lagos.

⁴⁸ Buhari: My commitment to lift 100m Nigerians out of poverty is realisable (2021) *TheCable*. Available at: www.thecable.ng/buhari-my-commitment-to-lift-100m-nigerians-out-of-poverty-is-realisable (Accessed: December 15, 2022).

⁴⁹ Nwafor (2022) 133m Nigerians multidimensionally poor – NBS, *Vanguard News*. Available at: www.vanguardngr.com/2022/11/133m-nigerians-multidimensionally-poor-nbs/ (Accessed: Dec 15, 2022).

4.1.1 Government Champions

KADIPA is an active champion in Kaduna: As the investment promotion arm of the Kaduna State government, the Kaduna Investment Promotion Agency (KADIPA) is a formidable partner for inclusive business promotion in the state. The organisation demonstrated its experience working with businesses and attracting investment to the state. Furthermore, it is the lead agency in establishing business-enabling policies. The study assessed KADIPA as a willing partner for promoting inclusive business in the state and as the secretariat for Nigeria's IBeeN business coaching and accreditation pilot project. KADIPA is currently seeking support from development partners to initiate actions to develop an Inclusive Business policy and establish a business coaching consultancy in the state.

Lagos State Office of Sustainable Development Goals (SDG) and Investments wishes to engage in Inclusive Business promotion: Formerly known as Lagos Global, the Lagos State Office of SDGs and Investments is the leading investment promotion agency for the largest state economy in Nigeria, Lagos state. The agency has been pivotal in attracting over \$24 billion to the state in the past two years.⁵⁰ The study identified this agency as the champion of inclusive business-related activities in Lagos state and engaged with its leadership on the next steps in developing enabling environment and incentives to encourage businesses in the state to establish inclusive business lines.

The Nigerian Investment Promotion Commission (NIPC) is the inclusive business champion at the federal level. NIPC is Nigeria's foremost investment-attracting agency. It demonstrated its willingness to design policies and incentives to promote inclusive business in Nigeria.

4.1.2 Inclusive Business Promotion through Business Associations

NACCIMA embraces the Inclusive Business agenda: The Nigeria Association of Commerce, Industry, Mines and Agriculture (NACCIMA) is an umbrella organisation for various affiliate chambers of commerce within Nigeria. The Association's membership encompasses city, state, and bilateral chambers and champions these businesses through its advocacy role. NACCIMA influences public policies that promote free enterprise. The association believes an inclusive business accreditation programme would incentivise more businesses to adopt inclusive business practices. NACCIMA expressed its strong interest in promoting the adaption of an IBeeN strategy among its members. To this end, NACCIMA

- would nominate its Head of Research, Mr Femi, to be its focal person for operational assignments, while its Director General could represent the organization at the proposed IB National advisory board.
- would conduct surveys to identify which members have an inclusive business model
- would engage in inclusive business advocacy work
- would organise inclusive business mentorship programmes for its members.

⁵⁰ Olisah, C. (2021) *Lagos says it attracted \$26.07 billion investments in last 2 years*, *Nairametrics*. Available at: <https://nairametrics.com/2021/05/27/lagos-says-it-attracted-26-07-billion-investments-in-last-2-years/> (Accessed: December 15, 2022).

4.1.3 Inclusive Business-Relevant Impact Investing and the Financing Industry

Impact investors are active in Nigeria: In 2019, Nigeria had 32 impact investors, of which eight were development finance institutions. The group included impact investors, foundations, and development funds relevant to inclusive business. Some of these investors include the African Development Foundation, Cowrywise, Government Enterprise and Empowerment Program, IPAE, Lagos State Entrepreneurs Trust Fund, Leapfrog, Nigeria Capital Development Fund, Prosper Africa, Sahel Capital, Tony Elumelu Foundation, YouWIN (under the Ministry of Finance), as well as network organizations such as African Venture Philanthropy Alliance (AVPA) and the Impact Investors Foundation and many more. The National Advisory Board for Impact Investing (NABII), which has the Impact Investors Foundation (IIF) as its secretariat, is a strong champion for driving inclusive business in Nigeria.

mainstream investing (\$165 trillion worldwide in 2016 and \$112 trillion in 2021)

impact investing (\$1.1 trillion worldwide in 2022; only 1% of global assets under management)

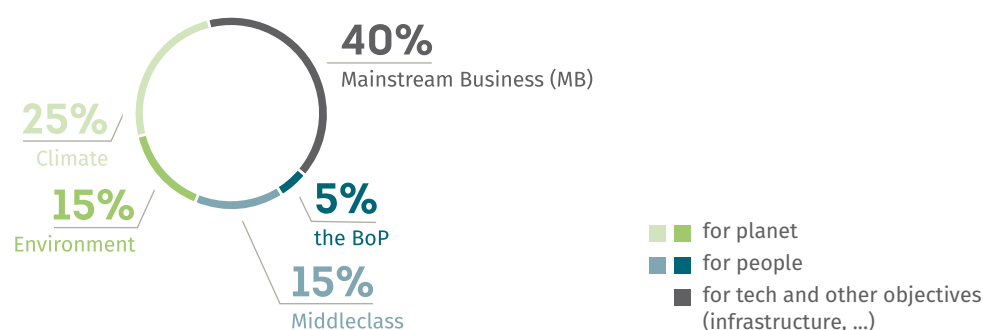


Figure 11: The Inclusive Business Share in Global Impact Investing

The Impact Investment Foundation (IIF) was founded in 2018 as a multi-sector collaborative comprising the Ford Foundation, Africa Capital Alliance, BusinessDay Media, Bank of Industry and Dalberg Advisors. The foundation collaborates with key stakeholders and is active in the impact investing space to unlock capital for social investments in Nigeria and serves as the National Advisory Board for Impact Investing (NABII) secretariat. IIF demonstrated interest in Nigeria's inclusive business agenda and wished to become a formal IBeeN partner. The IIF recommends a national multisectoral approach to drive Nigeria's inclusive business strategy. It suggested the following agencies:

- The Impact Investors Foundation (IIF) mediates between the relevant public and private sector players to promote inclusive business.
- IIF recommends that the Ministry of Finance, Budget, and National Planning drive the inclusive business programme while the Ministry of Labour and Productivity supervises and measures the outcomes.

The Emerging Africa Group is a Pan-African investments and financial services group established to bridge Africa's access to finance gap. It opined that the federal government understands and appreciates the role of private and social enterprises in driving socio-economic growth. The federal government is highly committed to driving poverty alleviation and socio-economic growth models. However, the incumbent administration might be unable to invest in long-term development initiatives because of the prevailing economic climate and its short time left in office. To achieve buy-in from the major political parties and be ready to engage with the team that assumes office in May 2023 would be important. At the state level the situation is perceived to be different. Besides Lagos and a few progressive states (such as Kaduna, Edo, Anambra, and a few others), state governments do not understand the prevailing economic and development challenges. It is uncertain whether these governments understand the depth of Nigeria's economic challenges and what is required to address

them. The Emerging Africa Group highlighted that development finance institutions could provide the following forms of assistance:

- Provide funds for research and consultations
- Provide support for projects and logistics
- Fund technical assistance to businesses.

4.1.4 Inclusive Business Facilitators/Intermediaries

Various business facilitators would embrace Inclusive Business in their work: Nigeria has various facilitators (accelerators, incubators, and workspaces) to support social enterprise. Some of these actors include All-On, Box Office, CoCreation Hub, CoLab, Cranium One, Cre8Space, Desyard, Emerging Africa Group, Enspire, IDEA Hub, Impact Hub, Lead Path Nigeria, National Board for Technology Incubation, New Office Africa, Passion Incubator, Roar Nigeria, SME Nigeria, SPARK, Start Innovation Hub, Terra Culture, Ventures Platform, WeInnovation Hub, among others. Nigeria has a Network of Incubators and Innovators in Nigeria (NINE). Furthermore, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) has 114 registered business service providers. It is possible that only a small subset of this group will be interested in business coaching to transform into Inclusive Business models, initiatives, or activities. Therefore, there is a need for a certification system for inclusive business coaches as part of the IBeeN programme.

4.1.5 Role of Development Partners

AFDB could become a strategic inclusive business partner at the regional and national levels: The African Development Bank (AfDB) was established in 1971 to promote the continent's economic and social development efforts. From an initial authorized capital of US \$250 million, AfDB has raised over \$100 billion to date. The AfDB works to drive inclusivity in gender and cross-border trade. To effectively play its role as the premier development finance institution in Africa, the AfDB uses a variety of instruments and produces reports in the process. AfDB supports agribusiness projects, mini-grids and renewable energy, food security, women entrepreneurship, and skills training. The bank is enthusiastic about the prospects of the Inclusive Business agenda at the country and regional levels. The government of Nigeria could push for follow-up discussions with AFDB to achieve traction with the bank. To this end, AfDB could

- Set up funds to drive inclusive business. AFDB has similar programmes in other countries, and Nigeria's technology space
- Provide institutional support to encourage the Nigerian government to establish incentives for inclusive businesses

The World Bank Group can draw on its extensive experience in inclusive business financing through its private sector arm: The International Finance Corporation, the private sector arm of the World Bank, works in every major development area, providing various financial products and technical assistance to countries. The IFC has committed globally \$25 billion to inclusive businesses since 2005.⁵¹ These investments include financial markets, agribusiness, health, education, technology, and infrastructure. In addition to private sector investments provided through the IFC, the sovereign arm of the World Bank could set up a programme

51 IFC's work in inclusive business (no date) ifc.org. Available at: https://www.ifc.org/wps/wcm/connect/Top-ics_Ext_Content/IFC_External_Corporate_Site/Inclusive+Business (Accessed: December 15, 2022).

or fund that de-risks impact investors' investments in inclusive businesses. It can integrate inclusive business promotion as a specific component in competitiveness and trade reform, SME development, and agribusiness value chain development programmes. Additionally, the bank, in cooperation with a bilateral grant provider, can sponsor a programme that develops the enabling environment for inclusive business. Such a programme would have a significant technical assistance component.

IFAD could engage on inclusive agribusinesses: The International Fund for Agricultural Development (IFAD), a specialised agency of the United Nations, was one of the significant outcomes of the 1974 World Food Conference. Since then, millions of people have benefited from IFAD-supported projects. In continuation of its efforts to help micro, small and medium-sized enterprises (MSME) in developing countries create jobs and increase incomes, IFAD recently announced a US\$9 million investment⁵² into the Agri-Business Capital (ABC) Fund, a blended capital impact fund. IFAD could provide financial support for business coaching for agribusiness interested in adopting inclusive business practices. The government of Nigeria could engage in follow-up discussions to access part of the funds for dedicated inclusive businesses

GIZ could strengthen inclusive business approaches in private sector programs: The Nigeria Competitiveness project, NICOP, is a four-year project commissioned by the German BMZ and co-funded by the European Union under the West African Competitiveness envelope. It is being implemented by the GIZ Pro-Poor Growth and Promotion of Employment in Nigeria Programme - SEDIN. NICOP is designed to support key value chains in an inclusive business approach to promote structural transformation, overcome the coordination and linkage failures and to improve access to regional and international markets while taking social and environmental concerns into account. NICOP assists large inclusive business companies in reaching thousands of micro, small and medium enterprises (MSMEs) to take advantage of opportunities to add value and migrate to new and higher-level tasks along selected value chains. This inclusive business approach has been successfully applied and could be further strengthened. The SEDIN program supports among others investment promotion agencies in Nigeria and could include inclusive business promotion in its work streams.

4.2 Strategic Direction for Inclusive Business Promotion under the New Government

Nigeria Vision 2050 and the new development plan: In February 2022, the Federal Government of Nigeria announced the preparation of its Vision 2050 as a strategic document to guide the country's socio-economic development through the mid-century. The document strongly emphasizes lifting 100 million Nigerians out of poverty, primarily through private sector investments in job and income generation and social and municipal services. In addition, the government will accelerate macroeconomic reforms to spur growth, address competitiveness and macroeconomic balances, and create industrial transformation. The Vision 2050 document could be finalized after the 2023 elections. Similarly, the country has a 2020–2025 National Development Plan. Inclusive Business is yet to be included in either document.

Now is the time to discuss with the government to ensure the inclusive business concept is incorporated in the development documents. Initial discussions with government officials and the think tanks (as part of the inclusive business landscape study) showed strong interest in the concept.

The Government in Kaduna state has shown strong interest in inclusive business and volunteered to pilot IBeeN in its state. Several respondents expect the ruling party to retain power after the 2023 election. The study expects continued support for the inclusive business programme after the 2023 elections.

⁵² IFAD announces landmark investment in Impact Fund helping rural smes (no date) IFAD. Available at: <https://www.ifad.org/en/web/latest/-/news/ifad-makes-landmark-investment-in-impact-fund-helping-rural-smes> (Accessed: December 15, 2022).

4.3 Implications for Inclusive Business Policy Support

Committed leadership requires continued support in early 2023: Initial discussions with government agencies at the federal level and in Kaduna and Lagos states show strong interest in the inclusive business discussion. As the forthcoming election might divert the attention, continued support from March 2023 onwards to keep the inclusive business discussion on top of government attention is crucial. As iBAN support closes by the end of 2022, it is a welcome development that other development projects have shown interest in providing technical assistance in 2023 as a bridge between the landscape study and an IBeeN implementation programme. (See chapter 6 below).

IBeeN implementation requires multi-stakeholder implementation. During the landscape study, discussions were held with multiple stakeholders, various government agencies, the private sector and others committed to contributing to IBeeN implementation. Creating a formal structure of responsibilities is imperative to ensure that commitment translates into concrete action. To this end, the study suggests a process where various contributing stakeholders endorse an Action Plan derived from the approved IBeeN strategy. The action can be completed at the first IBeeN Board meeting. To maintain the momentum, the team could draft the action plan during the 2023 pilot phase for institutionalizing IBeeN implementation.

A dedicated IB support programme is better than IB inclusion under other Programmes: During the landscape study, a discussion emerged on whether an inclusive business can also be mainstreamed in existing development programmes. While this can be one dimension for IBeeN implementation, most stakeholders argued for an IBeeN strategy with dedicated financing for IBeeN implementation. The recommendations in this landscape study discuss the features of such a programme (see chapter 5).

The need to secure dedicated funding for IBeeN implementation: Implementing the policy recommendations in chapter 5 of this report requires establishing a technical assistance facility that can finance advocacy, accreditation, business coaching, knowledge and policy work, impact monitoring and regional exchange, as well as an investment vehicle to reduce risks of impact investors. Furthermore, as funding for implementing IBeeN may not be available before the end of 2023, it is essential to keep the momentum and institutionalize and start piloting the proposed recommendation.

5. STRATEGIC RECOMMENDATIONS FOR PROMOTING INCLUSIVE BUSINESS IN NIGERIA

5.0 Global ‘Good’ Inclusive Business Promotion Practices

Inclusive Business investments and policy promotion worldwide: The inclusive business concept and dedicated investments in such companies started in Latin America, mainly under the International Finance Corporation and the Inter-American Development Bank. The idea moved to Asia (with the Asia Development Bank also promoting it) and then to Africa. Inclusive Business investments are mainly carried out by multilateral and bilateral development banks and by impact investors. While dedicated inclusive business investing started in 2007, the policy work started in 2012 in Asia and became a topic in Africa in 2021. Asia became a leader in inclusive business policy promotion, with various countries in Southeast Asia (and China) setting up their IB promotion programmes and strategies. The Association of Southeast Asian Nations (ASEAN) is the body championing inclusive business in the region. At its 2020 summit, ASEAN Economic Ministers endorsed the guidelines for promoting Inclusive Business in the region.

Inclusive Business (IBee) in Zambia: The inclusive policy discussion started in Africa in late 2021 with an Inclusive Business Landscape Study in Zambia. The Zambian government, through the Zambia Development Authority (ZDA, the country’s investment board) under the Ministry of Commerce Trade and Industry (MCTI), committed to set up a programme for inclusive business promotion starting in 2023. Multiple stakeholders will implement that programme, and many of the programme features are like the ones discussed in Nigeria.

IB policy promotion in Nigeria: In 2019, Nigerian government officials and members of Nigeria’s impact investing industry participated in the Third ASEAN Inclusive Business Summit and engaged in a South-South Exchange focusing on Nigeria. These activities led to a request for a study (in 2021) on Inclusive Business opportunities in Nigeria’s COVID-19 response programme. These engagements and support led to a request from the Government of Nigeria (at the federal and state levels) for a Nigeria Inclusive Business Landscape Study to develop policy recommendations for going forward. The study commenced in July 2022 and came up with a concrete proposal for establishing an Inclusive Business support programme and piloting this in Kaduna state. This inclusive business policy work resulted in eleven recommendations for a better enabling environment for Inclusive Businesses in Nigeria (the IBeeN strategy). The core recommendations are outlined here, and the features are further elaborated below:

- Establish a strategic inclusive business promotion framework,
- Set up a proper multi-stakeholder institutional structure,
- Advocate for more inclusive business investments,
- Conduct inclusive business accreditation and issue inclusive business awards,
- Facilitate inclusive business-specific business coaching and mentoring,
- Establish innovative investment incentives for accredited inclusive businesses,
- Reduce investment risks of impact investors,
- Target inclusive business in enterprise promotion and poverty reduction programmes,

- Facilitate inclusive business impact monitoring and reporting at various levels,
- Engage in regional exchange programmes on inclusive business and develop inclusive business leadership in Africa, and
- Piloting IBeeN in Kaduna State.

5.1 Recommendation 1: Establish a Strategic Inclusive Business Promotion Framework

Inclusive business promotion is timely: Learning from the challenges of addressing Nigeria's socioeconomic issues, the government wishes to implement more inclusive growth strategies. This interest is strengthened by the forthcoming elections in 2023 and by good economic advice from the private sector and development partners. Depending on the results of the elections, the government could have the impetus for a new national development strategy. It could rework its industrial policy to emphasise productive medium-sized firms and purposeful companies that achieve a tangible and direct impact on poor people and the planet. The traditional thinking is that the private sector growth will generate revenues, and the government will spend them on economic infrastructure and social protection programmes. This thinking is insufficient to create well-paid income opportunities and relevant social and municipal services. At the same time, the government appreciates the role the private sector can play beyond traditional public-private-partnership (infrastructure financing) to create an impact for the poor. The government is also increasingly open to reforming its oil subsidy and focusing more on targeted incentives for firms that do good while doing well. This approach changes from the earlier emphasis on providing targeted incentives to selected sectors or companies. Therefore, Inclusive Business, as a concept, is attractive to the government.

Not mainstreaming: A government can promote inclusive business by incorporating it into existing development programmes. While such mainstreaming effort could be an essential strategic element, it may not achieve much without reforming the objectives of the existing programmes. Left as is, the programmes may not change the dynamics of industrial production, income creation, and the provision of services to improve living standards. Public sector actors understand the need to create an inclusive business movement and has expressed interest in a deliberate inclusive business strategy.

A deliberate strategy: The desired inclusive business strategy would focus on concrete support mechanisms for specific types of companies while leaving business climate reforms to other broader government programmes and agencies. A strategy for promoting a better enabling environment for Inclusive Businesses in Nigeria (the IBeeN strategy) requires a multi-stakeholder approach with strong government leadership. It is beyond the scope of what one government agency can handle.

Official approval and mainstreaming through a multi-stakeholder action plan: An effective IBeeN requires official government approval at the national level. Furthermore, given IBeeN's multi-stakeholder approach, it requires effective collaboration between government implementing agencies, business associations, impact investors, business facilitators, and development partners. It requires a dedicated action plan that outlines the agreed commitments from the various institutions involved.

Piloting in IBeeN Kaduna state: The study recommends that the IBeeN should be piloted in one state and the lessons learned used to develop the plan for the rest of Nigeria. The government of Kaduna State has indicated its interest in piloting the IBeeN strategy in close cooperation with the federal government and Lagos State. Linking up to the federal government is crucial because some features of the inclusive business strategy (such as accreditation, tax incentives, and regional exchange) can only be implemented under a broader Nigeria-wide approach. In contrast, other features are more effective when there is national buy-in (for example, inclusive business advocacy) and parts of the institutional set-up.

5.2 Recommendation 2: Set up a Multi-Stakeholder Institutional Structure

Multi-stakeholder implementation: The success of the proposed IBeEN requires public-private collaboration. Therefore, its implementation requires a multi-faceted institutional structure Figure 12 below presents the institutional structure for IBeEN implementation, while its features are described further below. The stakeholders at the various inclusive business summits discussed the composition of the various implementation bodies and outlined their proposed terms of reference. The pilot phase will be used to detail and finalise the responsibilities and composition of the various bodies.

Proposed Institutional Setup for IBeeN

guides strategic direction of IBeeN implementation, approves annual rotating work plans

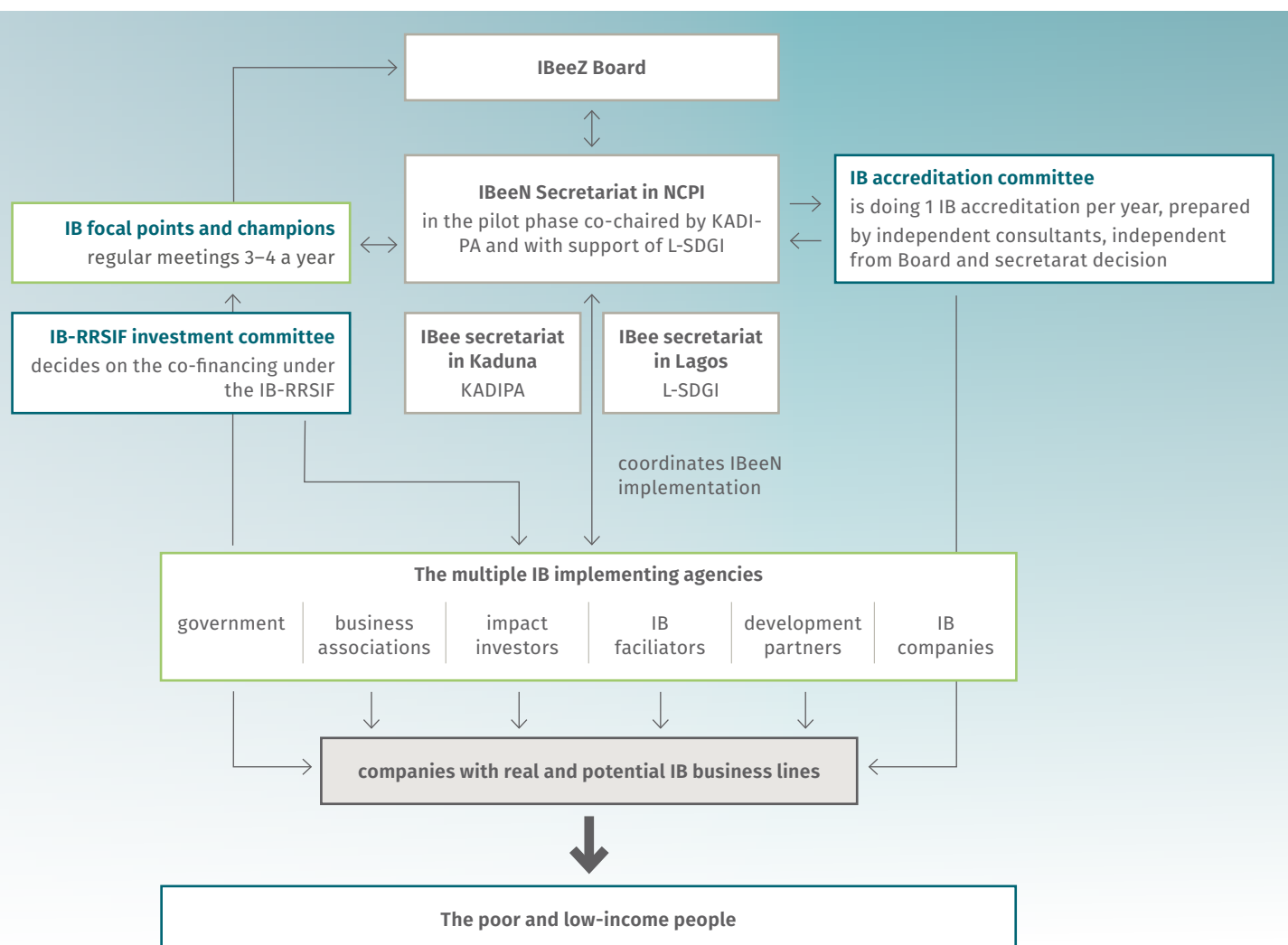


Figure 12: Proposed Institutional Setup for IBeeN

A Multi-stakeholder advisory board will be at the highest decision-making level. The Board will meet twice a year to provide general strategic guidance on IBeeN implementation. Although the Board would approve the three-year action plan, it would not have any implementing powers. The Board will achieve gender balance. During the pilot phase the exact composition of the board would be determined. Figure 13 summarises the suggested initial composition of the IBeeN advisory Board as follows:

- **Government:** Five federal and two state government institutions

Federal Institutions

- Nigeria Investment Promotion Council (NIPC) under the Federal Ministry of Industry, Trade, and Investment
- Federal Ministry of Finance, Budget, and National Planning (FMFBNP)
- Small and Medium Enterprise Development Agency (SMEDAN)
- Central Bank of Nigeria (CBN)
- Federal Ministry of Agriculture (FMOA) because of the high number of agribusinesses that typically qualify as inclusive businesses.

State Institutions

- Kaduna State Investment Promotion Agency (KADIPA)
- Lagos Office of Strategic Development Goals and Investments (LSDG&I)

NIPC would chair the Board.

However, KADIPA would lead the efforts during the pilot phase.

- **Private Sector:** The Board would comprise five private sector representatives from the following business associations:
 - Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA)
 - Nigerian Association of Women Entrepreneurs (NAWE) or the Nigerian Association of Women Business Networks (NAWBN) on a rotating basis
 - National SME Chamber,
 - Two Chambers of Commerce from the states on a rotating basis. These members could be drawn from the Kaduna and Lagos Chambers of Commerce in the first two years.

The NACCIMA representative will be the co-chair of the Board in the first instance.

The position will rotate between the business associations.

- **Impact Investing:** Three representatives from the impact investing industry, with the Impact Investors Foundation (IIF) as a permanent member and two others annually rotating.
- **Companies:** Three accredited inclusive businesses will join the Board on an annually rotating basis. These companies will lead the inclusive business discussion and could provide mentorship to other companies. There will be one company representing each of the business sizes: small, medium, and large enterprises, as well as also reflect the sector clusters. The following companies for the first (pilot) year are suggested:
 - Solar Sisters (small energy business)
 - InfiBranches (medium-sized fintech company)
 - Babban Gona (large agribusiness),
- **Business facilitators:** It is suggested to invite two to three representatives of business facilitators and intermediaries. They will serve on an annually rotating basis.
- **Development Partners:** It is also suggested to invite two to four representatives of the development partners, development finance institutions, etc., to serve on an annually rotating basis. These representatives should be from organisations that are actively engaged in promoting inclusive businesses.

Composition of the IBeeN Board

government	business associations	impact investors	IB companies (pilot phase)	IB facilitators	development partners
NIPC-MITI (chair)	NACIMA (co-chair)	NIIF	proposed for year 1	NN	NN
PIB-MoF	NAWE/NAWBN	NN impact investor (rotating)	Babban Gona	NN	NN
SMEDAN	SME Chamber	NN impact investor	InfBranches	NN	NN
NCB	2 chambers from 2 states (in the pilot phase Lagos Chamber and Kaduna chamber)	(2 impact investors will rotate)	Solar Sister		plus financiers of the IB-TAF and the IB-RRSIF
MoA / Lagos MoA			(all rotating)	(all rotating)	(all rotating)
2 state government (in pilot phase KADIPA and Lagos SDGI)			(all rotating)	(all rotating)	(all rotating)
7	5	3	3	3	3+

Figure 13: Composition of the IBeeN Board

IBeeN secretariat under the executing agency: For the pilot phase, KADIPA emerged as the best-suited executing agency, while for the upscaling phase, stakeholders constantly suggested NIPC in cooperation with the Ministry of Finance, Budget, and National Planning.

- Kaduna government showed leadership and commitment during the landscape study and is eager to lead with the set-up of an inclusive business promotion programme. The programme will complement possible federal government initiatives that have inclusive business features. The stakeholders and participants in the Kaduna Inclusive Business Forum unanimously suggested that the Kaduna Investment Promotion Agency (KADIPA) is best suited as the executing agency. KADIPA has professional leadership, an excellent investment promotion team, and high-level support from the Kaduna State government. Kaduna is championing the piloting of the IBeeN with concrete ideas on how to set up inclusive business promotion incentives. KADIPA has an active leadership that is looking for appropriate technical assistance and, eventually also, investment funding.
- The discussions with various stakeholders and with the participants in the National Inclusive Business Forum suggested the leadership of the Nigerian Investment Promotion Commission (NIPC) as the executing agency in collaboration with the Federal Ministry of Finance, Budget, and National Planning.

Inclusive Business Accreditation Committee: One of the key recommendations of the inclusive business strategy is a transparent system for annually identifying and certifying inclusive businesses. The inclusive business accreditation process must be independent and free from political interference or favouritism. During the landscape study, it was clearly stated – and confirmed through experiences in other countries – that IB accreditation needs to be done jointly by selected government agencies and business associations. Only such a joint approach will ensure ownership of the final decision, a fact of high importance when public incentives are linked to IB accreditation. To this end, a third party would identify and assess inclusive businesses, while a committee would carry out the actual decision on accreditation. This committee would not report to other institutions, and its decisions would be binding. While the final composition of the IB accreditation committee will be determined during the pilot phase, the landscape study suggests that the IB accreditation committee is composed as follows:

- KADIPA will be the secretariat for the pilot phase, with participation from the government partners: NIPC, FMFBNP, L-SDGI and FMOA (either at the national or state level). Other partners will include business associations from Kaduna and Lagos states, NACCIMA, SMEDAN, and one women's business association. The committee will arrive at its decisions by consensus and based on transparent criteria.
- In the upscaling stage, NIPC would be the accreditation committee chair. It will involve FMFBNP, FMOA, and two state government representatives (on a rotating basis), NACCIMA, SMEDAN, a women's business association, and two state business associations.

Inclusive Business-Risk Reduction and Social Innovation Fund (IB-RRSIF): This proposed fund will help crowd-in investments from impact investors through a co-financing structure. Through the fund, the government will invest about 10 to 20 per cent of the deal size while the impact investors will pick up the balance. The fund may not need a fund manager but can run on the recommendations of an investment committee. Alternatively, it can be invested through a Fund of Funds with specific investment guidelines that address its core objectives of crowding-in investments for inclusive businesses. Once the IB-RRSIF is established, the investment committee could comprise one member each from the executing agency, the FMFBNP, a bank or impact investor, a business association, and a technical deal assessment consultant. The investment committee's objective is to vet and decide – based on transparent criteria – on the investment proposals from the impact investors.

Regular meetings with Inclusive Business champions and focal points: Inclusive business is not only promoted by companies, investors, and supported by governments but also promoted by business associations, business facilitators, development partners and individuals. The study engaged in active IB discussions with over 100 people during its course. These individuals indicated their interest in remaining engaged in such IB discussions. The participants in various conversations suggested the need to nominate IB focal persons in the various government institutions and business associations to drive and sustain follow-up discussions and mainstream IB within their institutions. The IB Secretariat will work to establish more IB focal persons and champions in other institutions. To keep a regular information flow, the IBeeN secretariat would organise national inclusive business meetings for the focal persons and champions to discuss strategic points around IBeeN implementation. These meetings could hold every quarter. These IB focal persons and champions may also join specific IB working groups (such as a working group on adapting the international IB business coaching and mentoring tool to Nigerian conditions). They may also work as IB consultants to train companies transitioning to become inclusive businesses.

5.3 Recommendation 3: Promote Inclusive Business Advocacy

Support business associations on IB Advocacy: Business associations are the best conduit to reach companies and advocate the transformation of the mainstream business into inclusive businesses. They are well-fitted to drive advocacy, knowledge sharing, mentoring, and lobbying. However, they are typically not well-resourced. The IBeeN initiative should have the capacity to co-finance joint IB advocacy programmes, such as seminars, distribution of brochures, workshops, films, etc. To this end, the proposed IBeeN technical assistance facility (IBee-TAF) will also comprise a component to cost-share IB advocacy with business associations.

Integrate IB reference in the work of government and development partners: Government agencies and development partners run programmes on SME development, value chain stimulation, poverty reduction, and access to social and municipal services. The IBeeN will facilitate knowledge sharing and advocacy with such agencies. A good way forward is to incorporate IB as a specific feature of their programme websites or create a link from their websites to the dedicated IB website under the IBeeN secretariat. The website is one way to ensure the potential beneficiaries have visibility to the IB work of multiple stakeholders.

Drive IB advocacy through investment agencies: Similarly, investment agencies (banks, impact investors, government funds) run programmes which may have inclusive business features. The IBeeN strategy should encourage investors to review their portfolios to recommend companies for IB accreditation or IB business coaching. These investment agencies can also assist with sharing information on good examples of inclusive business lines. The programme can leverage the IB-TAF to co-finance studies.

5.4 Recommendation 4: Do Regular and Transparent Inclusive Business Accreditation

Avoid impact washing and self-claiming: IB promotion is more effective when providing concrete investment incentives. However, such incentives will not be effective if there is no appropriate mechanism to target the right companies. To this end, a formal and transparent IB accreditation system, could be set up as done in other countries.

Use the composite IB rating tool to account for the IB multi-dimensionality: The IB accreditation is based on a composite rating tool with 30 transparent criteria and 90 sector-specific benchmarks. The tool is constructed so all sectors and all company sizes can be equally compared. A third party (independent consultants) conducts the company assessment to guard against fraud. Similarly, the final decision on whether a company qualifies as an inclusive business is carried out by a committee composed of private and public sector representatives. The committee will reach its decision by consensus. The IB accreditation must be a formal system linked to tangible incentives, and the government and other partners must accept that the accredited companies are well-deserving.⁵³ Section 5.2 describes the proposed composition of the committee, and Appendix A2 provides more information on the IB accreditation principles.

Use the already-assessed companies for the first IB accreditation by mid-2023: The landscape study assessed several companies and rated them based on the suggested IB accreditation tool. First, the companies were asked to rate themselves. Then, the study used the composite rating tool to evaluate the companies. In most cases, the company's self-assessment aligned with the independent consultants' rating. The tool was presented at two inclusive business forums, and the various stakeholders found it ideal for the IB accreditation. The study recommends that the companies so far identified as real or potential IB could be used for the first official IB accreditation process proposed for the first quarter of 2023. To this end, there is a need to set up the IB accreditation committee. The committee will participate in a half-day training session on IB accreditation and be availed with the relevant documents (company write-ups with justification for IB accreditation and the initial IB rating).

Continue IB rating with funding from development partners: The IBeeN programme can use the IBeeN pilot programme to achieve the above tasks before April 2023 and prepare for the second IB accreditation by early 2024. To this end, KADIPA (as the executing agency for the pilot phase) may wish to engage consultants to complete the company assessment and training of the IB accreditation committee members by mid-2023. The IB accreditation could cost about \$60,000 annually.

5.5 Recommendation 5: Facilitate Dedicated Inclusive Business Coaching

Dedicated Business Coaching and Mentoring (IB-BCM) necessary to help companies transform into Inclusive Businesses: Advising companies to transform from a mainstream business to an IB is not the same as working with a company on improving its commercial performance. It is also different from traditional start-up support. The focus of the advisory is on business survival and growth. Unlike traditional business coaching, IB coaching provides concrete solutions that drive commercial returns while driving social results for the company.

⁵³ This differs IB accreditation from other certification systems like B-Corp.

The IB-BCM tool has four sub-tools: a self-assessment tool for companies, a transformation tool, a deep dive tool for professional business consultants, and a mentoring tool for Business to Business (B2B) advice used by business associations and portfolio organisations. The IB-BCM is further described in Appendix 1.

Adapt the tool used in Asia and Zambia to Nigeria conditions: To this end, a dedicated IB business coaching and the mentoring tool was developed by iBAN for Cambodia.⁵⁴ An expert group in Zambia found that the IB-BCM tool needs further customisation for Africa. The study recommends setting up a small expert group (during the IB pilot phase) to adapt the tool to Nigerian conditions. The team will use the tool with a selected company and integrate the lessons to finalise the tool before it is used for the IBeeN programme. The Nigerian team could also join the ongoing discussions in Zambia to share their lessons.

Train Nigerian facilitators and establish an appropriate IB Coaching Network: Following the development of the tool, the pilot team should conduct regular training programmes with business consultants. The team should certify IB-BCM experts and coordinate them within a network, which will be critical for working with companies seeking to transition to inclusive businesses.

Implement IB-BCM between 2023 and 2026: Nigeria could consider conducting its inclusive business coaching and mentoring between 2023 and 2026 with up to 100 potential inclusive businesses. These companies will pass through the IB readiness assessment, IB transformation, deep dives, and IB mentoring advice. Typically, a subset of the initial number of companies will be certified. In the pilot phase, the programme can target up to eight companies for IB readiness assessment, five advised on IB transformation, and one for deep dive support. About three companies can receive mentoring over one year. The total cost of the proposed programme, including developing and piloting the tool and offering training for business advisory services consultants, could be about \$0.7 million for the implementation phase and \$0.3 million for the pilot phase (see Figure 14 below).

Cost estimates of implementing the business coaching and mentoring tool

unit cost (USD)	no of companies		inputs per company			cost estimates		
	IBeeN program	pilot phase	IB coaches USD 500/day	back-stopping USD 850/day	travel USD 750/trip	IBeeN program	pilot	total
Tool 1: readiness assessment	100	8	1	0.2	0	67,000	5,360	72,360
Tool 2: transformation tool	60	5	8	1.5	40	346,500	170,002	516,502
Tool 3: deep dive	20	1	15	1.5	20	190,500	22,502	213,002
Tool 4: mentoring	40	3	2	0.2	30	69,300	70,501	139,801
developing and pilot testing the tool			20	8.0	0	0	16,800	16,800
doing regular IB training (2 x a year)			10	3.0	10	15,050	3,200	18,250
Total (USD)						673,300	268,365	976,715

Notes: (1) The 4 tools can be implemented in different companies. (2) Cost estimates are for 4–5 years of implementation. (3) Additional inputs for deep dive will be added. (4) Coaching costs for mentoring will go to the company doing the mentoring financed by the company. (5) travel is local only.

Figure 14: Implementation Costs for the Inclusive Business Coaching and Mentoring Tool

⁵⁴ The Inclusive Business Coaching and Mentoring Guide (IB-CM) is aimed at business consultants and facilitators working with companies that want to establish new inclusive business lines or wish to turn their existing business lines inclusive. Download <https://www.inclusivebusiness.net/node/5986>

5.6 Recommendation 6: Establish Smart Inclusive Business Investment Incentives

Create Inclusive Business incentives at the national and state level: The government could institute targeted incentives for companies that attain inclusive business accreditation. Such incentives should be attractive enough to make other companies seek inclusive business accreditation. The incentives may include innovative taxes, savings on government fees and tariffs, access to government procurement, preferential treatment to government foreign currency exchange rate, opportunities to lease public infrastructure, and piloting regulation reforms. The states could grant some incentives while others (like taxes) are within the federal government's purview. The companies engaged as part of the inclusive business landscape study understand that the incentives must be designed to achieve tangible social results (not only business results) while enabling public sector reform. For instance, the tax incentives must broaden the government's tax base and not reduce its tax revenue. The Nigerian companies that participated in the study offered the recommendations below. Their recommendations align with global inclusive business experience. During the pilot phase, the Federal Ministry of Finance, Budget, and National Planning would be engaged to conceptualize these incentives.

Come up with smart tax incentives: During the pilot phase, the IBeeN team should design the incentives to enable the businesses to create direct BoP impact. The companies that participated in the IB study echoed this sentiment. The incentives should not be designed as a bonus for the entrepreneur or as financial gain, instead, to trigger and sustain impact for the BoP. The companies agreed that the tax incentives should broaden the government's tax base. It should enable inclusive businesses to deliver social impact in terms of social reach and depth of impact for the BoP. The companies that access the incentives must prove the direct link to business growth and social impact. For instance, companies that provide inclusive business solutions in social and municipal services should access such incentives as the firms provide public goods, which the government has failed to deliver. IB tax incentives should also address tax avoidance strategies of companies. Some companies form cooperatives (which are corporate tax-exempt), yet they do not share the profits with the members of the cooperative. Some companies claim to do good (for example, through corporate social responsibility) but do not drive any systemic impact on poverty reduction. Hence, there is a need to link tax incentives to IB-accredited companies and provide tax incentives only to the inclusive business lines (and not to the whole company).

Reduce administrative costs for Inclusive Businesses: State investment promotion agencies could offer several incentives to reduce administrative costs. These incentives may include pioneer status or reductions in fees, levies, regulations, etc. The government could provide the following incentives to accredited inclusive businesses:

- a. Pioneer status and its attendant financial advantages
- b. Reduced levies and fees (for example, for land and business registration)
- c. Clarity and stability in the regulatory regime (for example, in the financial sector)
- d. Reduced bureaucratic bottlenecks or fast-tracked services
- e. Removal of sector-specific government regulations that impact business growth (for example, a company suggested the government relax its policy on controlling fertiliser blending).

The government can provide most incentives to all accredited inclusive businesses; however, there could be a need for incentives offered on a case-by-case basis or in response to some milestone achievements. However, there is a need for transparency and accountability in implementing the incentives to prevent abuse and, more importantly, to ensure it delivers the expected results.

Commit to smart procurement incentives for Inclusive Businesses: The government can incentivise inclusive businesses by designating a percentage of its public procurement for only such accredited businesses. It will mandate its various ministries to set a benchmark public procurement filled by qualified accredited inclusive businesses. The agencies will track and report progress until the benchmark is achieved. A study in Malaysia showed that about 5 to 15 per cent of the public procurement in specific sectors could be allocated for priority procurement through inclusive businesses.⁵⁵ The advantages of such a priority procurement programme are attained if they are widely publicised in the government, and their implementation is enforced. The government of Kaduna is interested in developing this initiative during the pilot phase of the IBeeN programme. For instance, Kaduna State Government can work with an accredited inclusive business in dairy production to supply milk products for the school feeding programme. An accredited inclusive business in solar can be engaged as part of the energy access programme. Lessons learned from the pilot programme will shape the national programme roll-out.

Provide marketing and branding support: Participants in the Inclusive Business Landscape Study suggested that the government can provide support marketing and publicity support to accredited inclusive businesses. For instance, these businesses can be included in the federal or State government's public marketing materials, export promotion campaigns, and trade fairs. The government can develop the inclusive business accreditation as an "official stamp of approval or endorsement". For instance, accredited firms can use an inclusive business seal in their advertisement and other public campaigns.

Consider infrastructure leasing arrangements for Inclusive Businesses: In Nigeria – like many African countries – some companies build business-enabling infrastructure (like roads, electricity, communication, water) to their production facilities. Some infrastructures provide a public good used by the BoP (and not the company alone). Participants in the Nigeria IB study recommended an innovative approach to delivering public infrastructure that benefits the business and the BoP. For instance, the accredited inclusive business can agree with the government to develop infrastructure the government considers to be critical. The government will, in turn, take over the infrastructure and pay the inclusive business a monthly lease fee. This idea aligns with the interest of the various parties. The government achieves the development of critical infrastructure (without having to raise the initial capital). The final product should be cheaper to deliver as it would be sized to the needs of the people in the community and more efficiently designed and delivered. The inclusive business has access to business-enabling infrastructure to support its business growth. The company achieves its purpose of service to the BoP. Furthermore, the business receives repayment for the infrastructure, albeit monthly. There is an alignment of interest in the infrastructure quality. The company will most likely deliver top-quality infrastructure because it serves the needs of the company and the BoP. Furthermore, the government can stop leasing the infrastructure if the quality fails. This scenario will result in a financial loss for the company. Access to economic infrastructure should improve the poor's productivity and income and their access to social services. This infrastructure leasing idea could work best for transportation, energy, water supply, education, and health projects.

Avail favourable foreign exchange rate for investments that widen social impact: Nigeria has a split exchange rate with an official exchange about 30 per cent lower than the actual market exchange rate. Given the low technology basis in the country, many types of machinery need to be imported. Since businesses need foreign currency for such imports, these products are de facto 30 per cent more expensive when the foreign currency is sourced from the open market, which is where most businesses get them. This situation impacts input costs

⁵⁵ The share is low, because many services cannot be provided by the private sector, and for many services IB companies are not suited. Procuring goods and services through IB is particularly relevant in health, nutrition, low-cost housing, insurance, BoP targeted education and job placement, water and sanitation, and off-grid energy. It is less relevant for infrastructure building and most public administration services, although innovative IB firms can always find solutions proving their market relevance (for example in Zambia there is an IB company doing land registration in competition to the government with a much more pro-poor approach and commercially viable).

and the pricing of products sold to the BoP. Participants in the IB Landscape Study suggested that the government grant accredited inclusive businesses access to the official foreign currency exchange rate to import their inputs and machinery. Amongst many pre-conditions, the company must prove that the investment will directly enhance the social impact on the BoP (and not through trickle-down assumptions). For instance, a company that has two business lines with only one of them as IB-relevant must prove that the support will benefit the former business line and not be used for the latter. Given the apparent risks of abuse, there is a need to develop the idea during the pilot phase further.

Open financial incentives for IB-RRSIF and beyond: Nigerian businesses face access to finance challenges. Commercial banks are reluctant to invest in some businesses for myriad reasons. In some cases, loan officers do not understand the businesses or lack the incentive to take on challenging prospects. There is a need for a facility that can be leveraged to unlock funds for Nigerian businesses.

- To address perceived business risks, the companies and business associations interviewed welcome establishing an IB Risk Reduction and Social Innovation Fund (IB-RRSIF), as described below. The participants understand the difference between this fund and a typical guarantee facility. The companies suggested a more active engagement of the government (through the Nigerian Sovereign Investment Authority and the Ministry of Finance) with development partners (like the European Commission, African Development Bank, International Fund for Agricultural Development, World Bank, and other bilateral development banks) to capitalise the IB-RRSIF.
- Accredited inclusive businesses should have access to the various development finance initiatives⁵⁶ of the Central Bank of Nigeria. The government could set a Year 3 target of availing 10 to 15 per cent of those interventions to accredited inclusive businesses. Such a programme would encourage several Nigerian firms to transition to become inclusive businesses.
- Another suggestion was to encourage banks to establish barter trade arrangements such as exchanging commodities (instead of cash) for machinery importation). However, inclusive businesses are probably better suited to drive such innovations.⁵⁷

Protect Inclusive Businesses: The government can consciously protect inclusive businesses against unfair competition, insecurity, and access to production centres or markets in conflict areas. Furthermore, the IB secretariat should protect the IB companies from bureaucratic bottlenecks, corruption, and unfair practices that impact business growth.

⁵⁶ Annual interest rates of Nigerian commercial banks are typically 15%, interest rates of microfinance institutions are about 25–30% and those of informal money lenders at 40%. It is suggested that the government is reducing the interest rate for IB accredited companies to perhaps 8% for banks, and 18% for microfinance institutions.

⁵⁷ For example, in Zambia an IB fintech business successfully engaged in commodity financing for farmers and is currently expanding its business, and in Myanmar an IB companies engaged into machinery leasing for farmers and artisans.

5.7 Recommendation 7: IB Financing and Reduce Inclusive Business Investment Risks and Support IB Financing

Impact investing needs better deals and fewer risks: Discussions with impact investors (and banks) in many countries revealed that the significant investment bottleneck is not always the lack of funding but rather the quality of proposed investment deals and the perceived investment risks. Often impact investors say that they are about 80 to 90 per cent ready to invest in most businesses after a detailed engagement with the business; however, they must be 100 per cent certain before they can invest. In effect, this results in dragging out their investment decisions. The ability of the government to cover the 10 to 20 per cent could help crowd-in impact investments.

The proposed IB-RRSIF: A guarantee facility does not necessarily build the investors' trust as it kicks in many years after a deal has proven to be commercially unsuccessful. Furthermore, guarantees are often designed for a portfolio and hence reduce the default risk of a financing institution, but not necessarily investments in specific companies. The study suggested an upfront co-investment, where the government can take the first 10 to 20 per cent of the investment and the impact investor would cover the remaining 80 to 90 per cent of the investment. The IB-RRSIF enables impact investors to finance a company after their due diligence. Successful investee companies will repay the government co-investment. Even if the company is unsuccessful, the government still wins because it has crowded-in more investments from private sector impact investors. The social impact of the investment remains positive.⁵⁸

The social innovation component: The second component of the IB-RRSIF is small grant financing for accredited inclusive businesses to expand their businesses. The grants could range from \$0.1 million to \$0.3 million. The business can deploy the grant to prove a business concept or expand its business. The successful projects become attractive for further private-sector investments.

Costs and financing of the IB-RRSIF: The proposed investment tool would be financed by the government and co-financed by a concessional sovereign loan from a bilateral or multilateral development bank. To hedge the investment risks, the IB-RRSIF could also be financed through an Africa-wide fund covering Nigeria (and other countries), where similar discussions are ongoing. The total cost would be about \$50 million invested over four years. The government can use the pilot phase of the IBeeN to establish a working group to finalise the details of the IB-RRSIF. The working group should comprise representatives from the government (especially the Ministry of Finance, Budget, and National Planning, and national and selected state-level investment promotion agencies), two to three representatives for major impact investors, and perhaps one to two participants from potential development partners interested in financing the IB-RRSIF. The proposed IB-RRSIF was discussed with critical stakeholders during the landscape study. Further details are in Appendix 8.

5.8 Recommendation 8: Target Inclusive Businesses in Budget and Programmes for SME Promotion and Poverty Reduction

Targeting IB investment in public and private sector financing schemes: Nigeria has various programmes for SME development, poverty alleviation, value chain development, social sector, and provision of municipal services. Most of those programmes have private-sector components. However, they are not targeted to inclusive businesses, green businesses, or programmes that benefit the poor and low-income people. The government should assess these programmes for their IB potential and targets a certain percentage of the investments for inclusive business implementation. Furthermore, the government may wish to mandate that all new programmes incorporate the inclusive business concept in their design.

⁵⁸ A case in point is a housing company that had to restructure its mortgage payment due to COVID to pay back the housing loans over a longer than originally agreed repayment period, while the BoP people do not lose their housing.

5.9 Recommendation 8: Facilitate Nigeria Inclusive Business Impact Monitoring and Reporting at Various Levels

What is measured gets done: Some companies engaged in the IB Landscape Study expressed the need for a more thorough impact assessment. They suggested the need for systematic support from the IBeeN initiative to conduct such an assessment. Therefore, the IBeeN would have a deliberate component on impact monitoring and report at three levels: supporting companies to conduct the impact assessments, conducting broader sector studies on inclusive business impact, and preparing a countrywide IBeeN implementation report every two years. The companies could share the survey and consultancy costs with the companies' contributions placed in a revolving fund for conducting more inclusive business assessments. Total costs could be roughly \$0.9 million, while the costs for the 2-year Kaduna pilot could be about \$0.2 million (see Figure 15 below).

Implementation Costs for the Inclusive Business Impact Monitoring and Reporting

Inputs and cost estimates for Impact Monitoring and reporting									
	number	inputs per company				cost estimates (4)			
		consultancy			travel				
		national	back-stopping	survey					
unit costs (4)		USD 500/day	USD 830/day	USD 15,000/survey	USD 1,500/trip	remuneration	travel	survey	subtotal
costs for the rolling out									
IB assessment at company level									
assessment design	30	5	1	0	0	99,900	0	0	99,900
deep dive (2)	10	30	5	6	1	153,200	12,000	450,000	615,200
sector studies	7	30	5	0	2	134,050	21,000	0	155,050
country wide studies	3	30	5	0	1	57,450	4,500	0	61,950
Total (USD)					673,300	444,600	37,500	450,000	932,100
share of field surveys						34%	32%	100%	66%
costs for the pilot									
assessment design	3	4	1	0	0	8,490	0	0	8,490
deep dive (2)	3	20	3	6	1	29,976	3,600	135,000	168,576
sector studies	1	30	4	0	2	18,320	3,000	0	21,320
state wide studies	1	30	5	0	1	19,150	1,500	0	20,650
Total (USD)					673,300	75,936	8,100	135,000	219,036

Notes: (1) The survey costs will be cost-shared on a 50:50 basis by the company in cash. (2) The consultant costs for the deep dive would be cost-shared by the companies currently on a 20% basis. (3) All costs are in USD. (4) The cost data below comprises only the IBeeN financed costs.

Figure 15: Costs of Inclusive Business Monitoring and Reporting

5.10 Recommendation 10: Engage in Inclusive Business Regional Exchange and Developing Leadership in Africa

Nigeria can develop inclusive business leadership in Africa: Nigeria and Zambia are so far the only African countries engaged in IBee discussions. Other countries on the continent may show interest in IBee once the concept is given more priority by regional institutions like the Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS), the South African Development Community (SADC) and the African Union. The concept can get more publicity through initiatives supported by regional development institutions like African Development Bank, European Commission or World Bank. Nigeria is known as the country in Africa with the most entrepreneurial potential. The IB agenda could open an exciting vista for the government to develop effective leadership for promoting private solutions for the poor and the planet. Now is the time for Nigeria (maybe together with Zambia) to take the lead on the regional exchange about IBee in Africa. The government may explore virtual and in-person engagements between Zambia and Nigeria during the pilot phase. For upscaling IBeeN, the government could facilitate an annual Africa-wide or sub-regional IBee summits, and IB awards could be held similarly to the ones done in ASEAN.

5.11 Recommendation 11: Pilot IBeeN in Kaduna State

Kaduna agreed on piloting IBeeN: The Kaduna State government agreed to pilot the inclusive business programme. It has agreed to commence the pilot project in March 2023 for two years.⁵⁹ The Kaduna pilot plans to follow the recommendations in this study and aims to include:

- Establish a Kaduna inclusive business promotion strategy with the associated institutional framework,
- Financing inclusive business awareness campaigns in close cooperation with the private sector,
- Implement the first inclusive business accreditation programme, and prepare and host the second inclusive business accreditation programme,
- Develop IB-Business Coaching and Mentoring tool for Nigeria and implement selected inclusive business coaching sessions,
- Establish inclusive business incentives at the state level and explore additional incentives with the federal government,
- Use the state budget and existing programmes to provide support to inclusive businesses
- Implement selected impact monitoring and reporting,
- Engage in a regional exchange with Zambia (and other potential countries in the region) on IBee implementation.

⁵⁹ Consultant support for setting up the Kaduna pilot was requested for 90 person-days in 2023.

Costs and financing: The Kaduna pilot could cost about \$0.8 million in technical assistance over the two-year implementation. The details will be further revised in early 2023. The pilot is suggested for a two to the three-year implementation period. It can be upscaled at the national level after the first year of successful implementation in Kaduna. The costs are summarised in Figure 16 below.

Estimate of Inputs and Costs for the Kaduna Pilot

	consultancy inputs			workshops, seminars	reports, publications	total cost estimates
	technical level	policy level	travel			
unit cost (USD)	USD 500/day	USD 850/day	USD 600/trip	USD 3,000/workshop, seminar	USD 3,000/report, publication	
IB strategy and institutional structure	20	15	5	1	1	31,750
IB awareness	10	2	2	4	2	25,900
IB accreditation (doing 1st and preparing 2nd)	50	17	10	2	1	54,450
IB business coaching						268,365
IB incentives	15	5	0	3	2	26,750
knowledge studies (3) for policy incentives	50	12	5	6	3	65,200
IB impact assessment						219,036
IB financing / preparing the RRSIF	10	12	3	3	1	29,000
coordinating with Lagos state and federal government for upscaling	10	20	10	3	1	40,000
regional exchange	0	5	17	1	1	20,450
Total (USD)						780,901

Cost estimates are indicative and will be finalized in early 2023.

Figure 16: Estimate of Inputs and Costs for the Kaduna Pilot

6. THE KADUNA iBEEEN PILOT PROJECT

The Kaduna iBeeN Pilot: The government of Kaduna State is interested in providing leadership on Nigeria's inclusive business project (iBeeN). As part of the IB landscaping process, the Government of Kaduna hosted an inclusive business forum and endorsed the idea of a pilot project for the findings and recommendations. The government agrees that the pilot project could commence in the first quarter of 2023 (March).

Budget mobilisation: Kaduna State government plans to develop a detailed cost estimate for implementing the pilot and mobilise several donors to support the pilot.

Inclusive Business Accreditation: This landscape study identified eleven potential inclusive businesses in Nigeria. The government considers establishing an inclusive business accreditation process a quick win. Therefore, it desires to set up the official inclusive business accreditation committee (with all the relevant partners) and officially accredit and award the inclusive business certification to deserving companies. KADIPA can achieve this step by April 2023 and is ready to coordinate the programme in close collaboration with Lagos State Government, Nigeria Investment Promotion Commission, the business associations, and other relevant parties.

7. SUMMARY AND CONCLUSION

Nigeria has compelling inclusive business models: The Nigeria Inclusive Business Landscape Study conducted between July and December 2022, showed that Nigeria has companies with attractive inclusive business models, especially in agribusiness. The landscape study identified eleven implementing inclusive business models. Several other companies can become inclusive businesses with more advocacy, coaching and mentoring. However, it is essential to note that in advocating for inclusive businesses, socioeconomic impact matters more than the number of companies. The eleven inclusive businesses identified in this study have a consolidated 2022 revenue of about N152 billion (ca. \$237 million) and benefitted 5.6 million poor and low-income people in Nigeria. They showed potential for significant growth, and many of them target to at least double their revenue and social reach by 2025. The government of Nigeria can find more companies with inclusive business models, initiatives, and activities once the concept receives broader advocacy. Furthermore, the proposed inclusive business incentives will encourage many more firms to become inclusive.

High-level interest to promote a better enabling environment for inclusive business in Nigeria (IBeeN): Senior government officials engaged in Nigeria's inclusive business landscape study expressed their enthusiasm on how the inclusive business concept is highly relevant. It will enable the government (and its development partners) to promote structural reforms in the industry sector, reduce poverty, improve living standards, and contribute to a new quality and dynamic of business and economic growth. In addition, many institutions in Nigeria (government, business associations, investors, and civil society) found the inclusive business concept intriguing. As a result, they supported Nigeria's interest in a more systematic engagement to promote inclusive business in the country. While the government designed the landscape study as a knowledge product, the discussions with multiple stakeholders quickly resulted in initial ownership building for a strategic initiative to go forward with an Inclusive Business promotion programme.

The IBeeN strategic recommendations: Of particular interest was the emerging consensus that the government and private sector wish to move forward with a dedicated IBeeN programme. The government of Kaduna State is eager to pilot the programme in the first quarter of 2023. The study produced eleven (11) recommendations for setting up a programme to drive an enabling environment for Inclusive Business in Nigeria (the IBeeN programme). These recommendations include:

- Approving a deliberate inclusive business strategy and its reflection in the new national development plan, industry policy, and federal and state-level budgets.
- Establishing a dedicated institutional framework for implementing inclusive business promotion under a multi-stakeholder approach. This initiative includes building awareness for a national inclusive business programme.
- Forming a transparent, inclusive business accreditation system to identify and brand such businesses. The government and business associations will jointly implement the accreditation process.
- Financing a dedicated inclusive business coaching and mentoring tool.
- Creating dedicated investment incentives for accredited inclusive businesses. The incentives could include tax rebates, preferential access to public procurement contracts, innovative infrastructure leasing arrangements, technology access, and investment financing.
- Establishing an inclusive business risk reduction and social innovation fund (IB-RRSIF) to crowd-in funding from impact investors.

- Targeting budget lines in various sectors for potential inclusive business implementation.
- Cost-sharing impact monitoring and reporting at company, sector, and national levels.
- Creating dedicated inclusive business technical assistance facilities (IB-TAFs) and a national inclusive business investment fund.
- Championing regional exchange programmes on inclusive business and providing leadership on inclusive business promotion in Africa.
- Piloting the IBeeN strategic recommendations in Kaduna state (in close cooperation with Lagos state) for upscaling at the national level.

IBeeN comes timely: The year 2023 – being an election year – will see some political changes in Nigeria. In addition, there is an urgent need to address macroeconomic imbalances and become much more effective in poverty reduction. Against this context, many decision-makers are urgently looking for new private sector-driven development models to diversify the economy and directly deliver income and living standard improvements for the poor. The inclusive business concept comes in timely, as it suggests focusing on companies that deliberately achieve scaled-up, innovative, and systemic solutions for the poor beyond simply working in their markets or hoping for growth to trickle down to them.

Way Forward: The landscape study laid out a concrete way forward. The government (and other stakeholders) endorsed the study's recommendations and are eager to set up a pilot programme in Kaduna state. It will seek input from development partners, such as GIZ, to institutionalize the IBeeN recommendations. The Kaduna state government already endorsed KADIPA as the executing agency for the IBee pilot.

Imperative to maintain the momentum: The landscape study was the first systematic attempt in Nigeria to profile inclusive businesses and, at the same time, develop strategic policy recommendations for a public-private partnership to promote companies that do good while doing well. An election year can alter emphasis but also provides the chance to integrate innovative thoughts for a change in the mindset of public discussion. Therefore, sustaining the momentum of discussing inclusive business as an alternative development concept combining private sector-driven growth with tangible results for poverty reduction is essential. With the momentum gained with the study, IBeeN could become a vital building block for Nigeria's Vision 2050. As a result, Nigeria can develop into an upper middle-income country with dynamic and shared prosperity. IBeeN offers a credible vehicle for this goal.

APPENDICES

A1	IB Business Coaching and Mentoring Tool.....	68
A2	Principles of IB Accreditation	56
A3	Summary Profiles of IB Companies.....	68
A4	List of key institutions and champions for IB promotion in Nigeria	83
A5	Summary of IB seminar in Kaduna (13 October 2022)	84
A6	Summary of IB seminar in Lagos (28 October 2022)	85
A7	Poverty in Nigeria	87
A8	Differences between IB, MB, SE and CSR	89
A9	Features of the IB-RRSIF.....	90
A10	Selected literature and references.....	94

Appendix 1: The IB Business Coaching and Mentoring (IB-BCM) Tool

The IB business coaching toolkit: An IB business coaching and mentoring (IB-BCM) tool was developed in Cambodia and is being adjusted to Zambia through a local working group comprising various business facilitators and service provider. Similar work could be in Nigeria. The rationale and features of IB-BCM are below

IB-BCM and mainstream technical assistance for business development differ: Traditional business coaching is either one-on-one business advisory services for mostly larger companies to address commercial challenges of a (mostly large sized) company, or it is general training courses for start-up and small (or even micro) businesses on how to set up a business, or it is some coaching for investment pitching. Traditional business coaching typically misses addressing (a) how a business can increase its social impact on the poor and low-income people, (b) how business returns thrive impact and vice versa, and (c) how to transition existing business lines into IB models, activities, or initiatives. In contrast, Inclusive Business focused coaching and mentoring (IB-BCM) is more for existing medium-sized companies that wish to transition their business to IB to have more impact on the BoP. It emphasizes innovations of existing companies to maximize or improve social impact while achieving good commercial business returns.

Rationale for and Components of IB-BCM

Traditional and new IB-BCM Business Development Services			
	mainstream business advisory services	IB-BCM	training for start-ups (and MSMEs)
strategic objective	enhance commercial outcomes	social impact thrives commercial viability (and vice-versa)	social impact thrives commercial viability (and vice-versa)
content	commercial analysis and advice	4 tools: IB readiness (self-assessment), IB transformation, IB business line deep dive advice, IB mentoring	how to start a business, investment pitching
for	mainstream (mostly large) businesses	companies with real and potential IB lines, mostly medium-sized and growth oriented	companies with real and potential IB lines, mostly medium-sized and growth oriented
by	large national and international consulting firms	large national and international consulting firms	business facilitators
capacity building through	one-on-one advice	one-on-one advice	mostly in group training
financed by	mostly self-financed	IBee (government + partners), cost-sharing with companies (esp. for tool 3)	mostly financed by development partners (sometimes also by government programs or NGOs)

Figure A1-1: Rationale for and Components of IB-BCM

Four components with an emphasis on IB transformation advice: The proposed IB-BCM tool has 4 components, i.e. 1) IB readiness assessment for companies and portfolio organizations, 2) IB transformation advice for specialized IB consultants, 3) financing of deep dive assessment for market expansion, value chain development, enhancing commercial viability as well as other specific aspects of business development, and 4) IB mentoring

- The IB-BCM-self assessment tool is for companies to quickly assess the business potential to become an IB. It can also be used by impact investors, governments, development partners and business facilitators to check the companies in their portfolio on the IB readiness. It can also be used as a basis for a questionnaire among members of business associations. The tool is based on a simple questionnaire and can be implemented in 30–40 minutes or so.
- The IB-BCM transformation tool is a guide for consultants to help companies making a transition towards IB. Typically such business plan oriented transformation advice would require consultant inputs between 1–5 person-days.
- The IB deep dive tool helps companies with specific in-depth advice on expanding markets and setting up proper distribution networks, scaling BoP involvement, specific IB branding, and other topics.
- The IB-business mentoring tool is for business associations or government agencies that facilitate programs of business mentorship. It is a combination of the readiness and transformation tool, emphasizing business to business mentorship with some backstopping from a high-profile IB retainer consultant.

A program implementing IB business coaching and mentoring would cost about \$0.35 million for 4 years implementation. Figure A1-2 below shows how IB-BCM can be implemented and what financial resources are required to support it.

Features of an IB-BCM support program and its implementation costs

The IB business coaching and impact assessment tool in its 4 components				
tools	IB readiness assessment	IB transformation	IB deep live	IB mentorship
for whom?	business associations, development partners	consultants who discuss with mainstream business and social enterprises the way to transform their business; facilitators (for start-ups)	consultants	business associations, companies
by whom?	companies, BA/DPs/II (portfolio assessment)	IB-BCM trained consultants, facilitators	consultants with some IB-BCM training	business associations, companies to company
how?	survey, company feedback	key questions for transformation		2 years mentorship with regular monthly follow ups
capacity building instrument	one-on-one, portfolio analysis	one-on-one	one-on-one	one-on-one
work input for experts (person-days)	0.2–0.5	1–5	10–25	5–15 times 1–2 hours each over many 1–2 years
pilot testing	help analysing firms and portfolios	3 firms	1–2 firms	2–3 groups
sope under IBeeC-TAF	up to 60	up to 40	upt to 10	up to 5
available IB-TAF (USD)	60,000	100,000	150,000	50,000

Figure A1-2: Features of an IB-BCM support program and its implementation costs

Appendix 2: Principles of IB Accreditation

Accreditation is at the core of any incentive for IB companies: For any support to private companies, the public hand (government) needs good reasons and transparent criteria for identifying the right companies. Typically, support to private sector companies is rationalized by arguments like priority sectors, earning foreign exchange, or being located in priority areas or special industrial zones. These criteria are very broad and as a result in reality only very few companies actually receive incentives. Inclusive Business adds a new dimension (namely the tangible and deliberate (not trickle-down) impact on improving the income or living situation of the poor and low-income people), which could also be used to rationalize investment incentive. As Inclusive Business investments can be found in all sectors, all geographical areas, and are not necessarily export oriented (although some are), they form a separate category for investment support. Of the many companies existing in the Nigeria economy, only few would probably qualify as IB; hence using IB as a targeting principle would help saving public funds while at the same time enhancing impact for society and economy. However, to avoid self-claiming assumed impact (as is currently very common), a transparent system of IB accreditation needs to be set up, and results of such certification need to be owned by both government and private sector.

Benefits of IB accreditation for the private sector: Accrediting such companies through a public-private-partnership mechanism would give the IB companies legitimized branding⁶⁰ and recognition, and thus further help their business case. The IB accreditation can also be linked to incentives given by the government (such as business coaching, financing, tax and trade, investment, sale and procurement prioritization and other incentives). Furthermore, IB accreditation will help companies approaching impact investors, especially if such accreditation is linked to summary write-ups on the business case and its social impact.

Principles of IB certification: The key principles of such accreditation system are outlined below:

- Voluntary accreditation: The IB accreditation will be on voluntary basis.
- Accrediting new business lines: To encourage the private sector creating new business models, the accreditation would be based on the new investment of a company, rather than long existing investments.⁶¹ Furthermore, only the IB related business line would be accredited, not the whole firm, as companies might have various business lines of which perhaps only one is IB.
- Same criteria and weights but different targets for small and larger firms: While the IB accreditation will be done for business lines that are for-profit, such firms can be small or medium-and large sized.⁶² The company size will be determined by revenue criteria only, with small companies and for-profit social enterprises being defined as having annual revenues of \$0.1–\$0.5 million (N80 million–N400 million), medium sized companies from \$0.5–\$3 million (N400 million – N2.5 billion), and larger companies above this threshold). Companies with revenues smaller than \$0.1 million will normally be considered non-eligible for IB accreditation.⁶³ All three company categories will be assessed against the same criteria; however, the set benchmark targets for the criteria will reflect the company size.

60 For example, companies can tap into new markets of fair trade, and often have advantages against their competitors when they can prove how they help poor people. This is also relevant for export markets. IB accredited companies may also have advantage in accessing finance from the impact industry, get public procurement contracts, and substantially enhance their branding as a responsible business doing not only well but also good.

61 For business reasons investments that are less than 2–3 years old at the time of rating would qualify as new.

62 Employment criteria will not be used because the IB accreditation is related to the social purpose of the business model, and many companies achieve this not through direct employment, but through job and income creation through supply chains and distribution channels, and through the delivery of relevant service and goods by involving the low-income people as customers. Some companies also have business models where they involve the poor as shareholders. There can also be a mix of these 5 engagement modes.

63 The size thresholds for IB business lines may be further adjusted later. Note that the threshold for the IB business line and that of the whole company may not always be the same.

- **Targeting the poor and low-income people:** Inclusive business models, activities, and initiatives are designed to create solutions for the lower income groups (the bottom 40%). IB models seldom target only the extreme poor (bottom 10–20%), rather they focus more on the low-income people among the BoP. Sometimes, they also include the better-off in their business models, although to qualify as IB the majority of impact needs to be achieved (target) for the BoP. Thus, the impact rating tool will assess the share of the poor and low-income people (should be at least 51%) in the business solutions, based on the main engagement mode of the IB business line. Agrobusiness companies, for example might sell to high-income households in foreign markets, but the impact they achieve is with the supplying poor and low-income farmers mainly. A health provider might offer its services also to be better-off thereby cross-subsidizing the same quality service provided to the poor. The very poor households are classified in rural areas as those with household income of less than N20,000, the poor as less than 40,000 and the low income with less than N60,000. These numbers tally roughly with the international poverty lines of \$1.5 \$2.1 and \$3.5 per capita expenditure per day (at 2017 PPP). While the thresholds were initially confirmed by the companies interviewed, it may be needed to increase them to perhaps N30,000, N60,000, N100,000.⁶⁴
- **Considering growth:** The business plan of a company will be assessed based on its past 3-years results and its future projections (3–5 years).
- **Incentives based on results:** For possible IB incentives given by the government or the IB support program (such as business coaching and technical assistance, financing, investment, procurement, etc.), the company and the government will sign an IB agreement stating the progress in achieving the respected social impact, and incentives will be given according to implementing those commitments.
- **Re-assessing impact on a regular basis:** The initial accreditation will be re-assessed every 2–3 years, and incentives will be released accordingly. However, all companies passing the IB threshold will be given the IB initial accreditation seal upfront, which can be used for branding. Also, business coaching is one of the incentives that can be given upfront.

The IB accreditation criteria need to apply to all sectors and company sizes: A transparent tool and assessment technique will be used to identify IB business lines. The tool will be comparable between sectors and different company sizes. To this end criteria will apply to all companies and sectors. However different targets and benchmarks for fulfilling the criteria will be used for smaller and larger companies and for different sectors. The criteria will be weighted on their importance for the IB discussion; criteria and weights are shown in Figure A2-1 and the benchmarks are in Figure A2-2.

Independent technical assessment: The accreditation is based on initial recommendations done through a solid and independent technical assessment of the business, its deliberate social and the innovation to create systemic solutions for the BoP. The initial assessment is done through an independent third party (consultant) is done based on transparent criteria and benchmarks assessing three key business dimensions (i.e. business case and financial returns, social impact, and innovation to achieve poverty reduction). The assessment (and accreditation) is based on the following principles:

- **The business case and the strategic intent:** An assessment of the strategic IB intent of the company will clarify (a) the route to impact (either income increase or living standard improvement of the BoP), (b) the BoP engagement mode (supplier, consumer, distributor, labourer, shareholder), (c) the company management's understanding of the systemic problem of the poor, and (d) how the company management will address this systemic poverty problem management.

⁶⁴ According to the World Bank and based on 2015 poverty figures in 2018 about 58.3% of the population have expenditures of less than \$1.9, further increased by COVID to estimated 60.7% in 2021.

- The commercial viability and financial returns: The accreditation methodology will allow assessing the business case based on financial criteria such as revenue and scale, profitability (including capacity to serve the operational and investment costs), addressing business risks, and bankability. This brief assessment will be done for both the company as well as the IB business model. Assessing the business case is important to get information about the financial sustainability, scale, and growth perspectives of the investment. The commercial assessment will also comprise an analysis on how the company complies with environmental and social safeguard standards and how it is governed.
- The social impact through reach, depth and contributions to systemic change for the poor: The accreditation system would go beyond criteria of lives touched (reach) and add criteria on how deep the benefits are and what systematic change the business line is bringing for the relevant problems of poverty and exclusion. The social impact assessment consciously goes beyond “reach” to document the actual use of the benefit to create visible improvements on the outcome of BoP people’s life. and how it changes the poverty situation in a country, sector or geography.
- The business and social innovation: IB companies need to be very innovative to address the risks when working with the poor and to achieve high returns while often having small unit margins (due to the low consumption power of the poor). There establish business innovations which often covers the risks of the poor on their own costs, thus further helping the poor. Apart from business and technological innovations, IB companies often also apply social and environmental innovations. These innovations will be assessed on their relevance for the business case to finally create good results for the poor.

The rating thresholds: For evaluating the information, a composite rating tool will be used: IB companies have small, medium or larger impact on the poor, and their impact can derive from various factors such as strong or weak business case, large or small social impact, and high or low innovation.

- To better clarify the range of impact and do justice to the diversity of business lines offered by the private sector, the impact assessment tool is based on a composite rating tool that qualifies between high, medium, and small achievements, then rates those (0–6), and can thus determine where a company stands on an inclusiveness scale.
- The IB rating is a combination of weighted (in percent) quantitative and qualitative criteria, with benchmarks for different sizes of enterprises, a result rating of 0–6 (indicating high, medium and low impact), and a final scoring of the IB assessments.
- In the case of Nigeria, the maximum weight for commercial viability was set at 40% (of which 10% for the company and 20% for the IB business lines commercials, as well as 5% each for adhering to company governance and environmental and social safeguards), for social impact at 46% (of which 19% for social reach and targeting, 15% for social depth, 12% for systemic change contribution) and for IB relevant innovations at 14% (of which 5% for business innovations, and 3% each for technology, social and environmental innovation).
- Companies will have to pass different thresholds for qualifying as IB. IB eligibility thresholds comprise the minimum score for total rating (3.2 = 53% of total possible scoping of 6.0), for business impact (minimum 1.3 = 40%), for social impact (minimum 1.5 = 51%), for transformation impact (minimum 0.8 = 53%), for governance and environmental and social safeguard (minimum 1.13 = 55% each) as well as for the IB strategic intent (minimum rate of 3).
- Companies that pass the agreed eligibility thresholds will be eligible for IB accreditation, while those slightly lower than the eligibility threshold but with strong IB potential may be rated as potential IB with the option to graduate into real IB once business changes are being implemented. Other companies not meeting the required thresholds are rated as mainstream business, NGO-driven social enterprise or traditional CSR with not potential to transition into IB.

The process of assessing a business line: The IB rating is voluntary for the companies. Companies that wish to be accredited as an IB will first be judged on an IB readiness assessment.⁶⁵ Thereafter, potential IB companies would need to fill up a summary IB questionnaire and agree on a 2 hours interview with a technical expert (third party). The technical expert will initially screen the business line and prepare a succinct write-up (1–2 pages) with data and recommendations for the IB accreditation committee. This information will then be the basis for the final IB rating of the accreditation committee. Companies will be informed about the decision, the write-up will be shared on a confidential basis, the detailed IB rating will not be shared, and a summary write-up will be prepared in consent with the company for further publication.

The four steps for assessing and accrediting an IB business line are further described below:

- First, an IB readiness assessment looks at (a) the company's strategic intent, (b) its deliberate planning for achieving BoP impact (through raising income or improving living standards of the poor), (c) its BoP engagement mode (as consumer, supplier, labourer, distributor or shareholder), (d) its size and growth potential for solving BoP problems, and (e) its commercial viability. The readiness assessment has 20 questions, and can be done in 15 minutes per company, given that appropriate information is available. The IB readiness assessment can also be done by business association and other stakeholders, or by companies themselves and results in recommending companies for the formal IB accreditation process. A concept note and criteria to prepare IB readiness assessments can be shared separately.
- Independent and in-depth IB assessment: Companies that consent their interest in being IB accredited will be examined through an in-depth interview and follow up criteria. Thereafter an initial IB rating is done. This initial assessment is done by an independent (third party) technical consultant, engaged by the executing agency for the IB initiative in Zambia. It is purely done based on technical criteria.
- Formal IB accreditation: The recommendations of the technical consultant will be proposed to the IB accreditation committee for final decision. The IB accreditation committee is composed of representatives from government and business associations, and meets twice a year. The decision is consensus based and relates to transparent criteria and benchmarks as described below. The final decision of the IB accreditation committee relates to whether a business line would qualify as (a) potential or real IB, or (b) whether it is rather a mainstream business, NGO driven social enterprise or implementing a traditional CSR).
- IB award and incentives: To enhance branding and recognition, IB accredited companies will be recognized in an official IB award ceremony, hosted jointly by government and business association, and widely publicized through media. The companies are requested to publicize their IB business line, for which a specific content structure is provided. Going forward with IB accreditation, the executing agency of the IB initiative will provide some technical assistance on impact monitoring and reporting. Companies with IB accredited business lines may have access to different incentives under the IBeeZ (enabling environment for Inclusive Business in Zambia) support program.

Who is doing the IB rating and the IB accreditation? Based on the initial (independent) assessment, a team of IB focal points from 4–5 government agencies and 4–5 business associations (the IB accreditation committee) will do the actual rating and endorse the accreditation of the proposed companies. In addition, an IB readiness assessment tool was developed, which could be used by companies for their initial self-assessment and by business associations and other stakeholders for assessing the IB readiness of their clients or members

⁶⁵ An IB readiness assessment was also developed for initial self-assessment of the IB readiness.

Composition of the IB accreditation committee: IB accreditation can principally be done by either government, by business associations, or by an independent agency such as NGO or research institute (as in the case of most environmental and fair-trade standards). Accreditations by business associations alone are not encouraged, because there is the danger of accrediting members only, and the results might lack the government endorsement. Accreditation by government alone might lack ownership by the private sector especially if such accreditation is mainly linked to branding. Accreditation by external agencies might not be accepted by the business nor the government and can be questioned on its transparency. In the decentralized context of Nigeria with 37 states, It is strongly suggested to have a uniform IB accreditation system. For the pilot IBeeN the study proposes that the state governments of Lagos and Kaduna are part of the accreditation committee. The committee members still need to be agreed on, but could initially be comprised of

- From government side: KADIPA, L-SDGI agency, F-MBNP, F-MCTI
- From business association side: NACCIMA, NEFA or ANWBN (rotating)
- BeeN secretariat, technical consultant (advising)

The accreditation committee is chaired by the executing agency of the federal IBeeN initiative. The technical inputs (company interviews, write up of the IB business line, initial analysis and rating) will come from an independent (third party) consultant, contracted by the IBeeN secretariat.

Figure A-2: The IB rating used in the Nigeria IB Landscape Study

Appendix 3: Summary Profiles of IB Companies

The following are summaries of the 11 identified IB companies done as part of this landscape study.



Figure A-3: The Company Logos of the Firms



Achi Greens Farms is a small ginger processing company sourcing from farmers in 14 villages of Kafanchan local government area in Southern Kaduna State. The company has three business lines (raw, dry split and processed ginger) on a 17-ha farmland and engages out grower farmers on their own lands as well. About 80% of the sale is raw and dry-split ginger and only 20% further processed, indicating a low value addition, which the company could improve on. The whole company and the IB

business line are the same. The company is aware of the seasonality of ginger production (8 months) and therefore also encourages their farmers to produce vegetable in the ginger off season (4 months). However, while the company helps taking vegetables to the markets and achieving higher prices for their farmers, it seems that this vegetable production is not a core business line of the company. The IB business model.

- **The commercial viability:** The company's revenue in the 2021/2022 season was US\$30,000, down from US\$50, 000 in the 2019 season. Subject to further investment in ginger processing and improving market conditions, revenue is projected to grow to US\$100,000 in the 2022 season and US\$200,000 in the 2025 season. The company has a good profit rate while the margin is in fact small given the small revenue. The company is bankable at a smaller scale. It would need investments of \$0.7 million for new machinery and for packaging inputs.
- **The social impact on the BoP:** In 2022 the company engages about 50 farmers directly, down from 63 in 2009 and 78 in 2021. These farmers then engage about 2000 (3000 by 2025) laborers on their farmland. As the company does not have control over the income opportunities of those laborers, only the direct farmers engaged by the companies would qualify as IB reach. The company anticipates maintaining the social reach of 60 farmers and 3000 farm workers by 2025. It estimates that about 80% of its farmers are from BoP (with land holdings less than 0.2 ha), of which 70% are very poor, 22% poor (land holdings up to 3 ha), and 8% low-income (land holding between 3–10 ha). On average farmers make about N14,000 per months during the whole year and the company states that this is about 20% more than other farmers in the ginger business get. While there is some income increase for contract farmers, there is very little for the laborers in the farms.
- **Women empowerment:** About 70% of the farmers are women and the company has a deliberate policy for women engagement (however beyond women engagement there are no major innovations for women empowerment).
- **Innovations relevant for the BoP:** The company introduced only few innovations relevant for the BoP such as the promotion of inter-cropping for improving food and nutrition and for enhancing income. It maintains a good CSR program (free lunch and diner for the farmers and their children). The firm has little climate and environment impact beyond using organic manure.
- **IB policy recommendations:** The company welcomed the IBeeN initiative, especially for Kaduna state. It stated insecurity (limiting farming lands and market access) as well as access to adequate imported machinery, and the competition from the middlemen as major challenges and as major challenges. In addition to addressing those challenges the firm recommended that the government should promote innovative financing through barter trading such as raw ginger instead of cash in exchange for tools & equipment and / or other value-added products.
- **IB rating:** In most IB ratings the company would not qualify as IB but it is close to the thresholds. However, the company has a strong strategic intent to change its business to become more relevant for the BoP and to scale its revenue. It was therefore rated as a potential IB.



Babban Gona is a large and famous inclusive business promoter in Nigeria. The company started in 2013 and is meanwhile the biggest maize processing company in Africa. The company's business objective is to "make small farmers richer" (a very catchy business statement) by addressing the structural

reason for the poverty experienced by these farmers, esp. low economies of scale, low productivity, low marketing potential. The company's IB business model is very comprehensive providing holistic end-to-end services such as training on best practices, credit packages, inputs of seedlings, supervision, storage and marketing, and organizing farmers in franchise farmer groups. The company reduces input costs for the farmers, increases productivity and yields, and reduces other business risks, thus substantially increasing the farmers' income. This is particularly relevant as the company focused on the maize sector, where most Nigerian farmers work with very low productivity, low value addition and very low commercialization. Babban Gona works deliberately in the poorer Northern areas of Nigeria, with a strong base also in Kaduna state.

- **Commercial viability:** Starting from 2012, the company's revenue increased from \$20,000; to \$70 million (ca N42 billion), and 2022, and it is expected to hit \$250 million by 2025. The company is meanwhile the largest corn processor in Africa. The company has a high profit margin (due to its revenue scale) while the actual profit rate is commercially okay but rather modest (due to large re-investments and sharing with the poor). The company has a good bankability for itself and also its farmers; it recently availed a loan of \$200 million for its farmers who have a repayment rate of 99%.
- **The social impact:** The company started in 2012 with about 100 farmers, growing to 100,000 maize farmers by 2022 with 170,000 acres. Most of the maize farmers are poor or very poor. The income increase of the farmers in the value chain of Babban Gona is high compared to before, other farmers, and other firms in the sector. Babban Gona has strong sector, geographic and systemic poverty reduction impact in Nigeria.
- **Women empowerment:** In 2018 the company introduced a women empowerment retailer program, engaging meanwhile 18,500 female entrepreneurs to retail a wide variety of fast-moving consumer goods. The firm also provides business training and credit schemes for those women in 26 locations. This program is a separate business line of Babban Gona and not directly related to the core business. However the women empowerment feature is not CSR but a separate business line of the firm.
- **IB policy recommendations:** The company highly welcomed the proposed IBeeN initiative. (1) It supports IB accreditation as a third-party benchmark system endorsed by public and private sector clearly measuring impact beyond self-reporting and impact washing. (2) It states that to be meaningful beyond acknowledgment and branding, IB accreditation should be linked to concrete incentives, as proposed in the IBeeN discussion. (3) It also supported the need for some grant based co-financing to do impact assessment at company level and it welcomes the IB business coaching approach and committed its interest to engage as a mentor. Babban Gona also (4) strongly supports the proposal of a risk reduction and social innovation facility (IB-RRSIF) for impact investors investing in accredited IB, especially if such tool is not only used for guaranteeing first loss but designed as a co-investment (10–30%) to unleash impact investing in waiting. It suggested a more active engagement of the government (through the Nigerian Sovereign Investment Authority) and development partners (like EC, AFDB, IFAD, World Bank, and other bilateral development banks) to capitalize the IB-RRSIF. Finally, (5) Babban Gona suggests that clearly targeted incentives on import taxes, levies and fees (less so corporate tax) only to accredited IB companies and structured as investment incentive rather than bonus for the entrepreneurs.
- **IB rating:** The company got a very high IB rating score and is in fact one of the models of IB in Nigeria (and Africa)



FalGates is a medium-sized seeds company established in 2016 and specializing in providing inputs for rice, sorghum soya farmers and adding value through processing and marketing. The company made various transformations from a pure rice processing company over a more comprehensive input provider (maize, millet, soya beans, beans and sorghum). to a company having now a dedicated business line on climate smart rice seeds. Today the company works in Kaduna (main area), Niger, Kebbi and Jigawa states.

- **The commercial viability:** From its 3 business lines, Falgates generated a revenue of NGN 6,5 billion in 2022 (\$10.8 million) of which about 45% came from the seedling sale, 30% from the rice processing and 25% from the comprehensive farming model. This is up from 0.3 billion in 2017. The company expects a peak at N100 billion by 2025, mainly through growing its comprehensive farming model by shifting to 2 season farming and irrigation. The company has a good profitability, and is also bankable.
- **The social impact on the BoP:** The company works with about 1,000 farmers (2022) up from 500 in 2019 and will expand to 3,000 in 2025. About 50% of those farmers are in business line 1 (rice farming), 30% in business line 2 (other commodities) and 20% (175 farmers) in business line 3 (comprehensive farming). The company will increase social reach in business line 3 to about 300 farmers by 2022 and 700 by 2025. About 80% of its farmers are from BoP, most of which low-income families with an average landholding of 1 ha. Falgates buys from the farmers at market price but is looking for buyers that give a more stable (fixed) price for 3–6 months, which would also benefit the farmers. For example, the company has a buying arrangement with Olam over 3,000 metric tons at a 3 months average fixed price. To mitigate farmers risk due to price fluctuations, the company has also invested in store-housing. The company also has organized linkages to banks thus reducing investment risks of their value chain farmers.
- **Women empowerment:** About 40% of the farmers are women and while the company has a deliberate policy to strengthen women empowerment, there are no specific business feature supporting this – beyond paying equal to women and men, encouraging women farmers to join the cooperation, and choosing women as cooperative leaders,
- **Innovations relevant for the BoP:** The company is exploring to use sorghum and soya for nutritious food production. It uses a husk processor to burn rice husks to fuel boilers for its soya processing and for making organic fertilizers (silicia). The company also has a strong CSR commitment, using part of its profit to build schools and housing. A particular innovation is the development of drought resistant seedlings and advices to the farmers to shift from high water dependent rice production to crops like sorghum that need much less water; the company is looking for cooperation in this area.
- **IB policy recommendations:** The company expressed the need for the government to (a) allow appropriate blending of fertilizers, (b) engage in infrastructure leasing, and (c) get incentives on tax and levies, esp. no levies for import tax, and (d) include granting pioneer status to accredited IB companies. It stressed that tax incentives should address “tax payment avoiding strategies” of companies that establish cooperatives but actually do not share profits.
- **IB rating:** The company passed the IB rating thresholds and could be accredited as an IB. With some business coaching the company could perhaps do better in increasing income for the poor and building on its innovations for diversifying into climate smart products.



InfiBranches is a fintech company that was incorporated in 2019 as a financial services company for financial inclusion to create financial access to rural and peri-urban areas in Nigeria. However, in carrying out its financial service business, the company discovered a need to provide energy access for its customers.

Therefore, since 2021 the company has included the provision of solar energy services in its financial services. InfiBranches currently works with insurance companies, solar companies, cable companies, telecoms, and banks. Its transactions are routed through the Nigeria Inter-Bank Settlement System (NIBS) and Interswitch, the country's interbank platform.

The company offers services through a network of agents utilizing its Fazipay (formerly Omnibranches)⁶⁶ agent application program. InfiBranches uses its integrated processes and value providers in the same source, offering these services to customers for a standard fee prescribed by regulators. In 2022, money transfer fees range from 10 nairas to 45 naira per transaction. Cash payment generates about 15 to 20 naira per transaction. Cash and money transfer collectively contributed about 55 per cent to revenue. Cable services generate about N 40 per transaction and contribute about 5 per cent to the business revenue, while Airtime generates about 15 naira per transaction and contributes about 5 percent. Insurance products generate about N 250 per transaction and contribute 2 percent to revenue. Solar sales generate about 420 Naira per transaction, contributing 30 percent of the company's revenue. The company has a clear strategy to ensure that solar contributes about 60 percent of total revenue.

- **The commercial viability:** The company has a cumulative revenue of 164 million dollars. It generates revenue through its network of 20,000 registered agents, with about 8,000 active. For 2022, the company targets an income of about \$70 million, up from 32 million in 2019, 65 million in 2020, and 56 million in 2021. The company plans to scale the revenue to 700 million in 2023 and 1.5 billion in 2025. The company claims a net profit of \$150,000 in 2022 (0.2% of revenue), \$0.9 million in 2023 and \$1.5 million in 2025, driven by expanding Point of Sale (POS) terminals and increased stocks of solar products through partnerships with warehouses and solar companies. InfiBranches is bankable and has clever strategies to address business risks through partnerships with solar firms and warehouses, diversifying product sales in energy, and increasing sales productivity.
- **The social impact on the BoP:** The company achieves its significant impact by providing essential goods and services through its finance platform. In 2022 it closed 1 million transactions from 250,000 customers (1 million/250,00) and projects to grow to 5 million /0.9 million in 2023 and 12 million/2 million in 2025. In 2021, 1000 distributors sold about 47,000 solar and payment solutions, and these numbers are projected to grow to 90,000 in 2022 and 200,000 in 2025. As a result, solar products will reach about 47,500 households in 2021. It is the strategy of the company to substantially increase the share of solar products by 2025. These essential products are sold mainly to poor people who find them affordable at prices possible for the Base of the Pyramid (BoP). As a result, the company's profit margin is slightly lower than its competitors. However, the distributors' income through fees is high and has doubled over 3–5 years. In addition to good income opportunities from the fees charged to customers, distributors also receive a bonus payment from the company.
- **Women empowerment:** In 2021, the company had about 1000 women entrepreneurs in its value chain serving as distributors, a significant rise from 300 in 2019 and projected to grow to 3000 in 2025.

⁶⁶ Fazipay (formerly Omnibranches) is an integrated platform with different services aggregated on a single platform, so instead of connecting to several banks, it connects to one source and route transactions across several banks

- Innovations relevant to the BoP: The company is very innovative. It uses an integrated business platform that offers multiple services and auxiliary products through this medium. In addition, the company encourages the use of clean energy sources.
- IB policy recommendations: The company supports the IB recommendations for accreditation and business coaching and recommends that government carries out sensitization and awareness programs to improve the demand for goods and services from IB companies. The company also advocated for more steady regulations around fintech activities and considerations for fintech companies addressing the needs of low-income people.
- IB rating: The company's good IB rating qualifies it as an IB.



L & Z Integrated Farms was incorporated in 2008 and is based in Kano State of Nigeria. L+Z is the first company in Nigeria using Nigerian cows of nomadic herders in the poor northern part of the country (and not imported milk powder) to produce fresh milk, yoghurt of different flavors and kinds including Greek yoghurt, Bread and “Fura da Nono” (a local northern Nigerian food drink).

The firm sells its products country-wide through more than 50 active bulk distributors. The milk comes from the company's own farms (ca. 20% of the inputs) and out-grower farms (ca 80% of the inputs) trained by the company in good agricultural products. The company also links smallholders to other commercial milk farmers. The company works mainly in Kano, Kaduna and Jigawa states.

- The commercial viability: The company has a projected revenue in 2022 of N3 billion, up from N 1 billion in 2020, projected to increase to N4.5 billion in 2025. The company has a high gross profit margin (50–60%), due to the high quality of raw materials used in the production process of their finished goods. The company is highly bankable and innovations to address business risks, such as absorbing losses of spoilt fresh milk on behalf of the BoP to build suppliers' confidence, paying for the first artificial insemination service, farmers training on good agricultural practices, providing of cheap loans for getting concentrate supplements repaid in instalments, reducing the farmers transport costs by picking up the milk, and weekly payments for the milk through mobile money agents.
- The social impact on the BoP: The company currently engages about 2000 small holder household dairy farmers. About half of the small holder dairy farmers have between 1 to 5 cows in their herd, but also those who have more than 5 cows belong to the very poor income groups. The company targets always new poor dairy farmers whose income was initially less than N20,000. By producing more milk, reducing input costs and getting a good price, the company's farmers make double the amount they would have made without the company. The company is well respected in the sector and other companies see L&Z Integrated farms as a role model and follow its advice
- Women empowerment: Women engagement: About 80% of the 2000 dairy farmers are women. As the traditional system of the herdsman model is that the men (husbands) own the cows and the women (wives, daughters and sisters) manage the milk, all income from the milk farming goes to the women. The company has a clear mandate to find additional income opportunities for women by engaging them even deeper in the company's value chain (such as offering them also to be milk traders). The company also has an innovative scheme to encourage girls education by paying higher milk prices to mothers that send their girls to school.
- Innovations relevant for the BoP: The company's business model is innovative. It uses a daily or weekly payment systems of the farmers through mobile payments. It is currently transferring half of its energy use to renewable solar energy. It is consciously using cattle manure for fertilizing the grassland. The company also provides CSR funding for chicken farming of women as a side income generating livelihood project.

- IB policy recommendations: The company suggested to prioritize IB companies in public procurement (e.g. for school feeding programs) instead of powdered imported milk. It also suggested to get government support through providing infrastructure leasing for renewable/solar electricity in particular, so that the company can address the cold-chain challenges.
- IB rating: The company has a very high IB rating and should be seen as a model IB in Nigeria.



Okra solar is a global social enterprise and technology company that works with energy developers and the government to provide electricity to last-mile communities cost-effectively and efficiently. Nigeria has about 83 million people without electricity. These people mostly rely on diesel, kerosene lamps and generators. Okra addresses this problem by providing IoT enabled hardware and software to help energy developers to energise last-mile communities rapidly with mesh-grids. The Mesh grid is 70% faster to deploy and 60% lower CAPEX compared to Mini-grids. Okra also has a software platform, Harvest, which is the one-stop solutions for remote monitoring, billing and maintenance of the off-grid communities. Okra doesn't sell directly to homes. Instead, it supplies equipment to energy developers and governments as an OEM (Original Equipment Manufacturer). Okra works closely with energy developers to design innovative financial models that ensure that energy developers address communities energy needs sustainably and responsibly. Okra solar has 3 main products, i.e. 1) the Okra Pod which is the hardware enabling the mesh-grid, 2) the Solar panels, batteries, inverters and additional components required for energy access, and 3) the software platform (harvest) providing energy developers with remote monitoring, maintenance and billing.

- Route to impact and BoP engagement mode: Okra's Mesh grid technology reduces electricity costs by over sixty per cent compared to mini-grids. This makes energy accessible to low-income populations. Okra Solar focus is on universal energy access and engages closely with the BoP to ensure their needs are being met through Okra's products. Also, energy developers employ local maintenance agents (LMAs) to address maintenance issues and collect payments. These LMAs get remunerated based on household energy consumed and the level of LMA's customer service. Energy developers determine the best way to pay the LMAs.
- Commercial viability: Okra commenced operations in Nigeria in 2021. From 2021 to date, Okra has generated 250,000 USD in revenue in Nigeria. Okra has dedicated most of its early phases to education, advocacy, and promotion activities. Okra has completed the pilot phase (50 to 300 households). Okra is currently in the second phase (scale-up phase) and aims to serve 1000 to 10,000 homes. Okra expects to provide energy to 20,000 households by the end of 2023. Okra's profit is between thirty to forty per cent. Okra is focused on investing heavily in Nigeria over the next few years. Okra has equity investments from European Union Development Financial Institutions and other institutional investors.
- Addressing business risks: Okra does not face competition with other mesh grid companies because it is the only one in Nigeria. However, Okra faces competition with mini-grids. This is because developers are more familiar with mini-grids. Also, energy developers have invested in mini-grids, and most are yet to recover their profits. However, Okra is gaining market share by highlighting the cost advantage and benefits of the Mesh grid technology. Also, Okra supports energy developers by connecting them to investors and assisting with due diligence. Another challenge faced by Okra Solar is the forex fluctuations. Energy developers purchase equipment from Okra in dollars but generate revenue in Naira. This is mitigated by programs that subsidise costs for energy developers. Security issues also pose a business risk to Okra Solar. Instability prevents the deployment of the technology, and developers lose money.

- **Social impact:** About 500 households currently employ Okra's mesh technology in Nigeria. Okra expects to electrify 10,000 households in Nigeria by the end of 2023. Also, Okra employs one LMA in each community and expects that as businesses progress, energy developers will introduce more activities resulting in more employment options for LMAs. Okra's Mesh technology provides electricity to the bottom of the pyramid. Costs vary by region. However, households can pay as low as 25 naira per day. LMAs earn between 3 and 5 per cent or between 100 to 200 naira per transaction. This income also improves the quality of life of LMAs. Okra creates systemic change by ensuring affordable access to electricity for the poor. Such access increases productivity and the quality of life of the BOP. With energy access, it enables these communities to gain access to education, healthcare and business opportunities through productive appliances.
- **Women empowerment:** Okra encourages women to act as local maintenance agents. In other countries, it is proven to be more successful when women are handling the LMA activities. However, because of cultural issues, these jobs are done mainly by men in Nigeria for the time being.
- **IB innovations:** Okra employs innovative business models to deliver its product to the rural communities. Okra helps energy developers with models of how they can purchase technology and generate profit while providing sustainable energy access. Okra's mesh technology and harvest platform enable the company to deliver superior value at an affordable cost. The firm works across verticals to bring new technologies, opportunities and experts to address issues faced by their customers and off-grid communities. Okra provides sustainable renewable energy. However, the raw materials used in manufacturing are not sustainable. Using sustainable raw materials will drive costs up and make products unaffordable to the poor.
- **IB policy recommendations:** The suggested that the government should subsidise customs and tax duties on solar systems, strengthen the logistics and shipping channels, and generally improve the ease of business in Nigeria. In addition, the company welcomes the general IBeeN policy recommendations made by the consultant, such as the official IB accreditation and IB business coaching
- **IB rating:** The company has a high IB rating and should be seen as a good model IB in Nigeria.



Olam is one of the biggest agrobusiness companies in the world. It is incorporated in Singapore, but actually started in Nigeria. Since 2020 the global company group is in the process of reorganizing its business into three separate holdings, i.e. Olam Agri (the main business line with 66,5% of the revenue), Olam Food Ingredients (OFI, with 31,1% of revenue in 2021, processing cacao, coffee, dairy, nuts and spices) and the remaining Olam group (2.4% of revenue) comprised of Olam Ventures, Olam Technology and Business Services, and Olam Global Holdco. The company is on a strong growth path, having achieved in 2021 a revenue of 47 billion Singapore Dollar (ca USD 32.9 billion), an EBIT profit of USD 1 billion (33%) and a profit before tax of \$0.737 billion (\$0.515 billion). The company has worldwide 82,000 employees and sources from 826,000 farmers. About 16,5% of the Group's revenue comes from Africa, mainly from Nigeria.⁶⁷ The corporation is globally known as an Inclusive Business with a strong social strategic intent, a very comprehensive corporate social responsibility program, a dedicated low climate footprint and a very good company governance. In Nigeria, Olam generated in 2022 about \$1 billion revenue. While the Nigeria business produces mainly wheat products for noodles, only 0.2% of the daily 5.5 million metric tons inputs for these products are sourced from Nigerian farmers, the rest being imported. Only this share can be considered as IB.

⁶⁷ All data are from the 2021 annual report of the company. See <https://www.olamgroup.com/investors/annual-report-2021.html>.

Olam's business philosophy is to expand local production of wheat to enhance the country's food security. The company uses two routes to generate impact among the poor and low income people: 1) it sources wheat – and some rice and cotton – from farmers all over the country for further processing through the company, and 2) it sells high-quality fish and poultry feed to the farmers, engaging the poor as consumers through a production facility sourcing maize and other products mainly from Kaduna state. Both business lines are designed to increase the income of the farmers the company is directly working with, and can be considered as IB.

- The commercial viability: Both the company as well as the IB business lines are highly commercially viable. The company has high gross profitability and generates substantial taxable income for the country. It is highly bankable and on a strong growth path. Business risks are mainly exposed by the exchange rate distortions set by the government which restrict new viable investments. Otherwise, in the IB business line the company addresses potential business risks with supplying and consuming farmers through its comprehensive and strong own extension network, the very high quality of its feed products (despite of higher prices) generating substantially higher income for farmers⁶⁸, and the very good reputation in the market. In the feed business, the revenue doubled in the last 5 years and the company expects the market and the number fish farmers further doubling by 2025.
- The social impact on the BoP: The company creates social impact through enhancing the income of the farmers in their immediate value chain, mainly as a supplier model and in some extend also as a consumer model. It is doing so by a) engaging the small-holder farmers as suppliers of wheat, rice and cotton, b) purchasing inputs for the fish and chicken feeds from local farmers, and c) since 2021, selling feeds to fish farmers and poultry farmers for them to make income (involving the poor as consumer). The company pays market prices to its farmers and does not provide any other incentives to its farmers, apart from high quality inputs (for fish and poultry farmers) and excellent technical advice through its agronomist teams. While initially Olam farmers had higher income increase than those of other companies, this difference has somewhat levelled meanwhile, because most feed products in the market are supplied by Olam (Olam holds 50% of the market share in feeds) or using technologies adjusted to the Olam standards. In the commodity business, about half of the growth is coming from new engagements in organic produce.
- Women empowerment: While the company pays equally to women and men and encourages women participation, it does not have a specific strategy for women empowerment. However, the company runs various CSR programs emphasizing women and their family needs.
- Innovations relevant for the BoP: Beyond very good extension services and working with other IB businesses (like Silvex, Falgates, and Babban Gona), Olam has not introduced many business innovations to address risks of the BoP or deliberately enhance their income. The company sponsors various CSR programs for its farmers but this is not integrated as core business lines. While the company has a deliberate and strong environment conscious and buys climate resilient inputs, these products are developed by other firms than Olam.

68 Once exposed to Olam products, nearly all feed farmers retain buying from the company.

- **IB policy recommendations:** The company welcomed the IBeeN initiative and the strategic recommendations outlined. It found IB accreditation and IB policy incentives as well as the IB business coaching facility particularly relevant for its own business. While the company does not need financing through IBeeN funds, it suggested an innovative financing incentive for accredited IB companies, namely the allocation of a certain percentage for market-based foreign exchange for IB companies investing in the growth of their business by proving to directly expand of social reach. Similarly, the company supported tax reduction under the condition that the saved funds are re-invested in schemes for broadening or deepening social impact. It also suggested the government is reducing the interest rate for IB accredited companies from currently 13–15% to perhaps 5–8%.
- **IB rating:** From the social impact side Olam qualifies as IB mainly because of the large value chain, while there is ample scope for engaging in a more comprehensive business strategy with the farmers and introducing new innovations of pre- and post-harvest support to address income increase and farmers' risks (as other IB companies do).



Silvex was incorporated 2014 as a wholly indigenous and rapidly growing agribusiness company with diverse interest in crops production, aggregation, processing, trading and export. The company has since then transitioned and expands

its portfolio to mining and logistics market spaces. However, the following IB discussion only covered the agribusiness part of the company. Here the firm is engaged through direct production, in-grower and out-grower models; this implies the company is deeply involved in all the downstream, midstream and upstream if agricultural value chains. The company invest heavily on backward integration through innovations on direct sourcing and further production of rice paddy (main crop of interest), sesame, groundnut, soybean, and maize. The agrobusiness company is deliberately aiming at increasing farmers' yields and income through a comprehensive and commercially viable business engagement system with its farmers. In the IB business model the company guarantees to all its farmers minimum 50% off-taking contract and provides top notch quality inputs (seeds, fertilizer, chemicals, irrigation, mechanization and extension services) at only 6% mark up. The company also supports the farmers with tractors (in cooperation with the Tractor Owners Association of Nigeria) and other equipment for clearing the fields, and or mechanization for planting and harvesting (harvesters). It provides training on good agricultural practices and invests in logistical efficiency improvements. It practices regular participatory dialogues with its farmers through townhall meetings, lead farmers and farmer group building, ensuring very efficient layers of close monitoring, supervision and co-ordination of the production processes. The company works in Kano, Jigawa, Kaduna and Nasarawa States respectively of Nigeria

- **The commercial viability:** In 2022 the company processed close to 25,000 metric tons of rice (up from 14,000 in 2021) to a high premium parboiled rice known as TOMATO QUEENN with significant market penetration. In the 2 years and half years since the company moved up the value chain from aggregation to processing via backward integration in paddy rice value chain, the company has generated billions of Naira in revenue with healthy profits. In 2022, the agrobusiness, revenue is over N9 billion (\$11 million) and this is projected to grow to N25 billion before the end of 2022, gross profit was 9.3% in 2021 and it is expected to increase to N1.5 billion by 2025. While the profit as percentage of total revenue is the lower end of agribusinesses, the actual revenue generated (margin) is relatively high. The company is bankable and serves various commercial loans as and when due.
- **The social impact on the BoP:** The company creates social impact through enhancing the income of the farmers in their immediate value chain. The company works with about 30,000 contact farmers out-grower farmers (for groundnut, sesame and rice production) and additional 2,000 (nearly all being women) in in-grower model (for producing drought resistant rice seedlings, maize and soyabean). The company's "System of Rice Intensification" (SRI) has resulted in Silvex's farmers having increased their income by 3 times if

compared to prior output in their engagement with the company. The increase is substantial in all crops, but particularly high (375%) in rice (from N17,000–N63,000 monthly income). On average for instance, a rice farmer financed with an input of about N165,000 per farming cycle usually produces commodity worth over N900,000. Such big income increase can bring the very poor sustainably out of poverty. In addition, about 4,000 women indicated interest to participate in the company's pilot climate smart parboiling and drying systems with 800 women selected for the initial phase to produce parboiled rice using new system for higher productivity and additional income source for the farming households.

- Women empowerment: The company estimates that about 25% of the farmers would be women, suggesting that about 7,500 women farmers work for the company in the out-grower model and additional perhaps 2,000 in the in-grower model (rice and maize seedlings). The company designed two mechanisms to specifically drive income for women:
 - 1) the rice seedling production is mainly done through women and their earnings in that program is relatively good: The women earn Naira 0.9 million for rice and N 0.6 million for groundnut per hectare and per farming cycle which means income between N 50,000 and 75,000 (\$83–125) per month for a 1 ha farmer. However, on average the women in the seedling production have only 0,2 ha of land hence making monthly income of \$20–30. The company also engages women farmers in its seed production/multiplication initiative.
 - 2) In addition, the company launched a specific program to support women in producing parabolized rice on the fields of their husbands. The idea for such scheme came from a company launched study on opportunities for women empowerment financed by the Sterling Bank and large participatory townhall meetings with active women participation. The women are organized in a cooperative and boilers, dryers and their accessories are procured to enhance their productivity and improve their livelihoods through women cooperatives. This mechanism helped the women to increase their earning nearly as much as their husbands and so doubling the family income. The project reduced the energy share cost of paraboiling paddy rice by 80% increase the productivity by 60% increase their income by 65%. The system also helped women to sell paddy rice with value addition which attract premium in return.
- Innovations relevant for the BoP: The company's business has various innovative features, including comprehensive and intensive engagement with the farmers, using high level technology using aerial surveillance system and database to support monitoring the farmers' produce and quality, adopting climate smart and regenerative agriculture practices (especially less water consuming rice sorts), using an online platform for soil analysis and measuring greenhouse gas emission in the various farmlands and thus accessing carbon credits, doing financial management training for its women farmers, and using solar powered pumps to ensure clean energy utilization and rice husk boilers for operating the parboiled rice businesses. Similarly, the company is working hard to create new generation of farmers known as "New Army of Farmers" who are young, dynamic and educated to adapt and comply with global best agronomic practices. This is really key in addressing socio-economic challenges facing Nigeria such as food security, poverty, unemployment and general national security threats.
- IB policy recommendations: The company welcomes the general IB policy recommendations, esp. for transparent IB accreditation, IB business coaching, financing, tax and incentives, support for better impact monitoring and reporting. It emphasized the need for IBeeN to come up with financial incentives unleashing funds from banks and impact investors for addressing their perceived risks to invest in out-grower models even when collaterals and guarantees are there. It also emphasized the need for improving the regulations and smoothing bureaucratic involvement, as well as for developing export and incentives to premium markets for example in Europe.
- IB rating: Silvex got a very high IB rating in basically all categories and is seen as a model for the IB discussion.



Solar Sister is a female owned not-for-profit social enterprise selling solar products (mainly clean cook-stoves, solar lamps and solar home systems) through self-employed women initially trained by the company and then engaged as down-account distributors. The company has three income streams, namely

(1) revenue from the sale of solar products through the women entrepreneurs, (2) grant contributions from committed funds (projects) and (3) donations. The grant share in the Solar Sister's revenue is about 40%, and the company emphasizes the need to increase the commercial revenue part further.

- **The commercial viability:** In 2022 the Nigerian part of the company the company expects to achieve a revenue of N400 million (\$0.37 million), up from N221 million in 2021 and N109 million in 2019. Solar Sisters is aiming at increasing revenue to N600 million by 2025, a significant growth in its sale from its start in 2015. In addition to the company's income, the business's total revenue comprises the distributors' income, which was about N374 million in 2021. However, the distributors are independent entrepreneurs, so their income isn't recorded for Solar Sisters. The distributors typically make 20–25% of each sale. The company uses a blended revenue stream to include earned income from sales and grants that mainly cover capacity development and livelihood programs for entrepreneurs.
- **The social impact on the BoP:** The company works with 3000 women distributors in 2022, up from 2000 in 2019 and 1500 in 2021, and projects to grow this to 5000 by 2025. However a small share (maybe 20%) of these people trained is permanently working with the company in the sales business. 70% of the women distributors belong to the low-income groups; 25% are poor (including some very poor), and 5 percent are better off. These women sold around 90,000 products in 2022 (up from 30,000 in 2019), but sales are projected to hit 150,000 in 2025. Targeting in the sale of products is more pro-poor than targeting in the company's distribution network: 30% of the number of products go to the very poor, 35% to the poor, 25% to the low-income and 10% to the better-off households. Solar sisters' products are relevant for the customers. The average price for a solar lamp is N3,000, N8,000 for cookstoves and N35,000 for solar home systems. However, unlike other solar providers, the company has no mechanism to make the products more affordable for example through instalment payment. The company claims a very high social return on investment for each entrepreneur at \$6 per \$1 invested, but it is not clear how this is calculated.
- **Women empowerment:** The company engages mostly women in its value chain and provides short-term (60 days) product credit to its experienced distributors at twice their monthly sales figures at an average of N80,000. On average, the distributors earn N24,000 monthly (\$40), with some earnings as high as N70,000 per month.
- **IB policy recommendations:** The company would like to see business coaching to transform its business. Furthermore it supports the IBeeN recommendation on VAT and import tax incentives to reduce the costs of the imported sales products.
- **IB rating:** The company's low IB rating would only qualify as a potential IB. The management admits the current business model is following a not-for-profit social enterprise approach. However, the country director of Solar Sister sees the need to become more commercially sustainable and would welcome IB business coaching to transform solar sister into an IB initiative with higher commercial viability.



Tomato Jos was established in 2014 in Nasarawa state and then moved to Kaduna state in 201 where it started operations started in 2018. The company changed its business model from purchase tomatoes and then selling them to producing tomato paste by getting the inputs from in-growers of its 500-hectare farm and some outgrowers. The company started with substantially raising the productivity of farmers to 50 tons tomato per hectare as against the national average of 5 tons per hectare. It did so by various means including the introduction of drip irrigation systems and better input supply. In addition, the company has some revenues from selling soya and maize of the farmers on a 50:50 basis; this business line was established to enhance food security of the farmers and bind such farmers closer to the tomato production as core business of the company.

- **The commercial viability:** Tomato paste is the main revenue generating business line. In 2022 will create a revenue of about N600 million (\$0.8 million) from the tomato business plus 100 million from soya and maize business. The company's revenue is expected to increase to 3.5 billion by 2025, of which a decreasing share of then 25 % would come from soya and maize. The company's margin from the maize and soya business is very small; however, tomato paste is already profitable in the 1st year, albeit at a low rate given the early phase of the company. Tomato Jos has attracted investments from impact investors and is properly serving the repayment. It has additional investment needs of about \$1.1 million, especially for expanding the area under drip irrigation for the tomato production from currently 70 ha to 300 ha by end 2022 and eventually to 4,000 ha by 2025.
- **The social impact on the BoP:** The company engaged in 2022 about 350 farmers in its on-farm tomato business and additional 1,000 farmers in the maize/soya production line (up from 500 in 2019). It is expecting to increase the number of farmers the company is engaging with to 6,000 by 2025, of which it hopes to then have 600 in the on-farm and 4,400 in the off-farm part-time (3–4 months) tomato farming. The company has a clear strategy to transform low productive maize farmers into high value-added tomato farmers, rather than expanding by using substantially more land resources. The company has a very good BoP targeting with about 30% of its supplying farmers are very poor households, 40% poor, 25% low income and 5% are better off households. On average each farmer engaged in the tomato supply makes income from tomato and maize/soya of N870,000 annually which is about N73,000 monthly, 75% coming from the tomato production, and the rest in cash sale of maize and soya (after all input costs are deducted). Without the company the farmers would not have the additional income through tomato and would also not have a 20–40% yield increase for their maize and soya. Tomato Jos farmers do not only have income more than before, but also more than the market rate (through yield increase in maize and soya and stable additional income from those products and the tomato production), more than other tomato farmers (through cheaper inputs and higher productivity from drip irrigation), higher income than other farmers in the region (income and alternate job opportunities outside of smallholder farmers (0.25 ha) in the Kaduna region are very limited), and higher food security (through productivity increase farmers have more maize available for consumption while creating additional cash income by selling 27% of their soya and maize production through Tomato Jos).
- **Women empowerment:** The company has clear mandate to engage women in its value chain and do women empowerment through encouraging experienced female farmers to take higher positions in the company and its value chain, involve women in management and board positions, actively supporting female farmers to link up to banks, and providing financial literacy education specifically targeted to women. Tomato Jos is looking for innovations to further strengthen women empowerment.
- **Innovations relevant for the BoP:** The major innovation of the company is the drip irrigation system for tomato production and ensuring food security in maize and thus binding farmers to the business for future expansion. However, the company could do more on ideas around intercropping and more intensive land use. The company has a strong environmental conscience. It grows its tomato seedlings in green houses, and uses crop specific preferred organic (limestone and animal manure) fertilizers.

- **IB policy recommendations:** Tomato Jos welcomes the general IBeeN policy recommendations, esp. for transparent IB accreditation, IB business coaching, IB risk reduction financing by co-investing with impact investors, tax and incentives, support for better impact monitoring and reporting. It stressed the importance of transparency in the enforcement of the suggested import waivers and import tax reduction based on company reaching concrete milestone results in return for the incentives. The company advocated for a subsidized infrastructure investment program by the government to improve farmers productivity for example through a leasing system. It also emphasized the need for the government to relax its policy on controlling fertilizer blending and encouraging fertilizer firms to produce fertilizers more relevant for example for tomato and soya farmers. It suggested business associations to take a stronger role in such discussion.
- **IB rating:** The company has a strong IB rating. The company is geographically focused, has sufficient scale and a good business model and is respected to influence the sector, and addresses BoP risks (offering them land to farm for free, providing access to fertilizers, germicides and herbicides, drip irrigation, and extension and land management services).



Zuma is a Nigerian coffee company sourcing its produce from farmers in the Mambila Plateau Taraba state of North-East Nigeria. While the high-mountain region (1300 meters altitude) is a traditional coffee-planting area, many coffee farmers have abandoned their trees due to low productivity and low-income opportunities. The company generates revenue

through buying coffee from contract farmers, cleaning, sorting, roasting, packing the coffee beans and then selling them in bulk through retail shops. The company also trains farmers in technical know-how and provides them with pesticides and fertilisers to increase output. The company commenced operations in 2019, but revenue was only generated since 2021.

- **The commercial viability:** Revenue in 2022 revenue is projected to be N 160 million (ca. 0.2 million) from sales of 60 to 70 tons at the cost of about 4.1 million naira per tonne. This is a substantial increase from the N 80 million sales (30 tons) in 2021. For 2025 the company is projecting sales of N250 million for 150 tons. Gross profitability is currently at 25% (about 5% net). The company is somewhat bankable and is looking for new investments to import modern processing machineries and build coffee tree nurseries. Like all coffee companies, Zuma faces risks of fluctuating market prices and wishes to address them through forward contracts from big buyers. Another key impediment is the high import tax as the company needs to buy new machinery not available in the Nigerian market.
- **The social impact on the BoP:** In 2022 the company had 650 farmers in its value chain (95% outgrowers), up from 620 in 2021 and expected 1000 in 2025. The firm estimates that about 35% of the farmers they work with were very poor, 30% poor, 25% low income and 10% better off. With the coffee production, people move up the income ladder, and the company expects optimistically to have by 2025 only 10% of its farmers being very poor, 25% poor, 30% low income, and 35% better off. The company reports that farmers' average household income increased approximately from between N50,000–100,000 to N150,000–200,000, but there is no sound study on this, and we see these numbers as overstated (compared to coffee companies in other countries) and not achievable unless the company can sell to premier high-prices export markets.
- **Women empowerment:** Zuma coffee deliberately encourages the wives of coffee farmers in the coffee business; these women traditionally stay at home. On its own farm, before 2021 less than 5 per cent of the wives of coffee farmers were employed because of religious and socio-cultural beliefs. Zuma actively gained the husbands' (coffee farmers) confidence to allow their wives to work. Today, about 35% of the suppliers and workers are women, and Zuma optimistically hopes to increase this to over 50% by 2025. However engaging women in the main business part (contract farmers) is much more difficult and it is estimated that the company would only be able to engage 20–30% women coffee farmers

by 2025 in its contract working arrangements. As women empowerment has to go beyond women engagement, and the company is interested in business coaching for generating additional income opportunities for women through intercropping with vegetables that would at the same time improve the soil fertility of the coffee trees.

- Innovations relevant for the BoP: The company introduced some business innovations through training and input provision; however it can do better in inter-cropping (e.g. bananas nourish coffee well and create additional cash income), tree plantation, marketing, efficiency gains. The company could also do much more on tree plantation thereby contributing positively to biodiversity and climate change. Zuma provides portable drinking water for residents, but while this is a laudable CSR work, it is not related to the core business.
- IB policy recommendations: The company emphasized the need for high quality machinery import and suggested import tax incentives for accredited IB companies. It also wishes to get some business coaching to adjust its business model for achieving better social impact and more commercial return. It also wishes to have some market assistance and believes that IB branding could help selling its products, especially abroad. The company also suggested that IB companies should be prioritized in public procurement (e.g. when canteens in government offices buy coffee). Otherwise, the company welcomes the general IBeeN policy recommendations, such as the official IB accreditation, IB business coaching and support to encourage impact investors through a risk reduction and social innovation facility for enlarging social reach.
- IB rating: Zuma coffee fulfils the basic critical criteria of an IB but got rather low ratings and is therefore classified as potential IB.

Appendix 4: Key Institutions and Champions for IB Promotion during the Pilot Phase of IBeeN

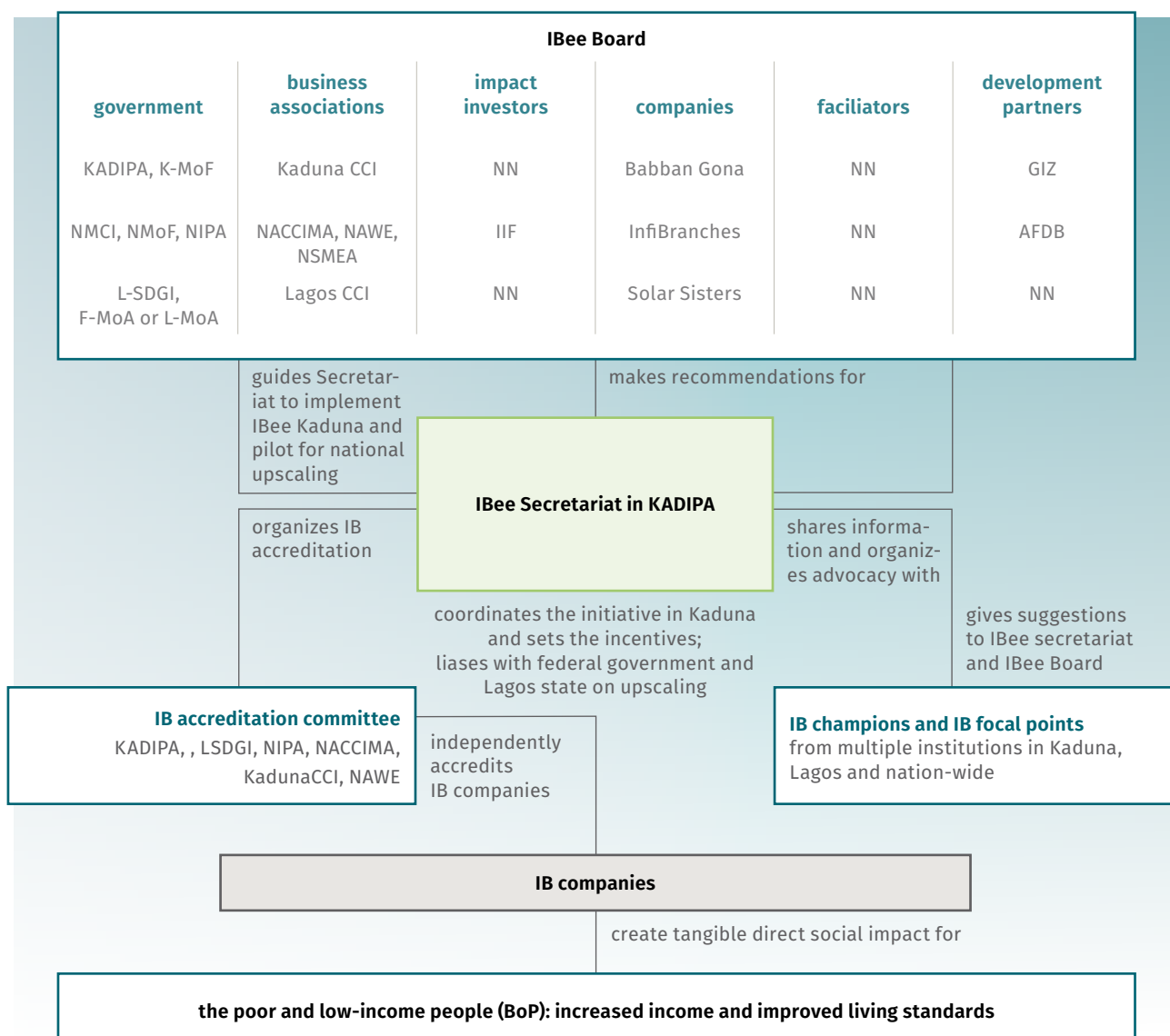


Figure A-4: Actors

Appendix 5: Summary of IB Seminar in Kaduna (13 October 2022)

As part of the Kaduna 2022 Economic and Investment Summit (13–15 October 2022), organized by the governor of Kaduna State in cooperation with the private sector, the Kaduna Investment Promotion Agency (KADIPA) hosted a separate seminar on Inclusive Business held on 11 October 2022, 09:00–14:15. The event was attended by 23 participants from government, business associations, companies with IB models and other stakeholders interested in the IB discussion. The event was opened by H.E. Ms. Hadiza Balarabe, the Deputy Governor of Kaduna state and moderated by Khalil Nur Khalil, the Executive Secretary of KADIPA and his investment promotion team.

The seminar (a) clarified the IB concept as used in the Nigeria context, (b) presented relevant insights from the ongoing landscape study, (c) discussed the enabling environment for IB in Kaduna, and (d) provided feedback on proposed strategic program for IB promotion in Kaduna state as a pilot for upscaling at federal level.

The seminar confirmed the very strong commitment from Kaduna state to move forward with a concrete program on IB promotion based on the general recommendation for Nigeria, and participants suggested focusing in Kaduna with the following suggestions: Kaduna shall

- Create a committed strategy on IB promotion under KADIPA and develop Kaduna as a pilot for IB promotion in Nigeria. To this end, Kaduna will also closely work with Lagos state as potential co-pilot for the IBeeN strategy.
- Establish a proper institutional structure with an IB secretariat in KADIPA, a focused IB Kaduna Board, and a regular exchange with IB champions in Kaduna.
- Be part of IB accreditation at a federal level through a seat in the IB accreditation committee. Moving forward in the pilot stage of implementing the Nigeria Inclusive Business enabling environment program (IBeeN), Kaduna shall champion the IB accreditation of companies identified under the landscape study and provide means for doing the 2nd and 3rd rounds of IB accreditation in 2023 and 2024.
- Establish investment and procurement incentives for IB accredited companies investing in Kaduna state (independent of whether they are based there). Such incentives shall be linked to the various KADIPA investment promotion programs and KADIPA will work out the details of this in early 2023,
- Mobilize dedicated funding for doing IB business coaching and for supporting impact monitoring. And
- Explore the opportunity of making Kaduna state part of a national IB Risk Reduction and Social Innovation Fund (IB-RRSIF) that would co-invest with banks and impact investors to unleash funding from them in accredited IB companies.

Going forward KADIPA committed to set up an IB promotion program in 2023.

Appendix 6: Summary of 1st Nigeria IB Forum (held on 28 October 2022 in Lagos)

The 1st Nigeria Inclusive Business Forum is part of a 3 phase workplan for the landscape study of Nigeria's Inclusive Business environment (IBeeN),⁶⁹ including 1) IB company selection, interviews, IB performance rating and case write ups, 2) analysis of the enabling IB environment and development of strategic recommendations for IB promotion, and 3) policy engagement with government and business associations (including two public forums in Kaduna state and a federal Forum held in Lagos city). The objective of the Lagos forum was to seek feedback from various policy makers on the IB policy recommendations and build ownership for a program going forward with IB. The Forum a) clarified the IB concept in the Nigeria context, b) show-cased IB examples (6 companies with IB business lines in various sectors presented their IB innovations), and c) discussed with policy makers from public and private sector the consultants recommendations. Nextier presented the initial findings of the IB landscape study to an audience of 94 participants (57 physically joining and 37 through online connection) and sought their input on the policy recommendations.⁷⁰ The feedback and insight from the event fed into the final report of the Nigeria Inclusive Business Landscape Study.

IB companies: 11 companies were found to qualify as IB. Of the 11 IB eligible companies 8 are in agrobusiness, 1 in fintech, and 2 in energy. In 2022 the assessed IB companies had a consolidated revenue of N 152 billion (ca. \$237 million) and benefitted 5.6 million poor and low-income people in Nigeria. The companies show a large growth and many of them will at least double their revenue by 2025. While many IB companies are medium-sized and some small, large firms such as Babban Gona, InfBranches, Olam and Silvex deliberately promote IB business lines. Convinced by the large potential of IB for society (addressing social needs and economic transformation), the poor (poverty reduction and living standards improvements) and for business (commercial viability), government and other stakeholders endorsed the need for going forward with a smart program than can encourage more mainstream companies and social enterprises to transform into IB, finding more IB in the Nigerian economy, and actually widen the scale and social impact of the existing IB. IB companies.

The IB policy recommendations: In a participatory process (involving more than 20 federal and state level agencies and partners from government, business associations, impact investors, companies, business facilitators, and development partners), 11 policy recommendations emerged for Nigeria to go forward with IB promotion. These are:

1. **IB Strategy:** Nigeria should create an inclusive business strategy (IBeeN) and integrate IB in its new national development plan (Vision 20150) and industrial policies. A multi-stakeholder IBeeN action plan should be prepared with concrete commitments. Nigeria should create an inclusive business strategy at the national level.
2. **Institutions:** IBeeN should be implemented through a multi-stakeholder approach with an IB secretariat at the National Investment Promotion Commission under the through the Ministry of Industry, Trade and Investment (MITI) to push and advocate for inclusive business models at all levels of government. The IBee Secretariat would be guided by a multi-stakeholder board (involving also the budget and national planning ministry). An IB accreditation committee (composed of government and business associations representatives) would endorse IB companies. Finally, IB champions and focal points in multi stakeholders would advocate and promote inclusive business practices in their area of influence and meeting regularly.

69 The study is implemented by Nextier Consultant (a Nigerian consulting firm) and was commissioned by the Inclusive Business Action Network (iBAN).

70 Participants and speakers comprised colleagues from KADIPA (Ms. Yohanna Nufi, Director of Private Public Partnership), the Special Adviser Office of SDGs and Investments of Lagos State (Ms. Solape Hammond), the Lagos Ministry of Agriculture, the Kano Investment Promotion Agency (KANINVEST, Mr. Hamid Sidi Ali, Deputy Director Strategy), development partners (JICA, GIZ, World Bank, CIDA, UNDP), various impact investors banks and development banks, business facilitators, CEOs of companies (Babban Gona, Falgates, InfBranches, L&Z, R-Jolad, Silvex, AFEX Commodities Exchange Ltd.), the government of Zambia (currently also doing an IBeeZ strategy); iBAN (Markus Dietrich, Christian Jahn) and GIZ (Omowas Akinropo, Akimwande Pearse), and the IBeeN consultant team (Patrick Okigbo, Emeka Okafor, Jafar Umar, Armin Bauer), among many others.

3. IB advocacy should be systematically done in a public-private-partnership manner. Especially business associations are critical to driving advocacy for inclusive business in Nigeria.
4. IB accreditation should be set up as a transparent mechanism to find and award inclusive business through an independent third party company assessment and a composite IB rating done jointly by government and business associations.
5. IB-BCM: Government and other stakeholders should promote dedicated IB business coaching and mentoring (IB-BCM). To this end a specific BC tool should be adjusted to Nigeria situation and a dedicated finance program set up for IB readiness assessment, IB transformation coaching, IB deep dive coaching involvement, and IB mentorship. Such program implemented by dedicated IB facilitators would cost about \$0.5 million over 4 years.
6. Incentives: The government should set up investment incentives for accredited IB firms, such as smart import tax rebates and prioritizing in public procurement, but also incentives on IB financing (dedicated share in soft loan based government and bank's financing programs) infrastructure leasing and others. For example tax incentives could be designed in a smart way to mandate the saved payment on tax as new investment in expanding social reach (thereby also contributing to growth and larger tax basis).
7. IB targeting should be done in SME development, value chain and poverty reduction programs. This could also include emphasizing IB in CSR and social enterprises promotion as well as impact investing programs.⁷¹ It was further recommended that IB should be part of capacity development programs and poverty reduction strategies at the sub-national level.
8. IB-RRSIF: While admitting that money to invest in IB is available but often not placed due to inappropriate deal proposals and perceived investment risks, the government should address these through business coaching and instituting a fund that reduces investment risks of investors in IB and pilots IB innovations for upscaling finance. This fund would mitigate the first loss position for the state to ensure an impact on investors' confidence.
9. Impact monitoring: The IBeeN program should also comprise a component on impact monitoring and reporting, and this should support company, sector and national level assessments and recommendations.
10. Regional exchange and leadership: Nigeria may wish to become a leader in the IB discussion in Africa and engage in regional exchange with neighbouring countries and other countries in the region doing IBee (such as Zambia). And
11. Piloting IBee in Kaduna: The IBeeN strategy should be piloted in 2023 in Kaduna state in close cooperation with Lagos state and the federal government. Kaduna state expressed its strong leadership and interest in doing so.

Going forward, the participants of the IB Forum endorsed the proposed IBee recommendations and thanked iBAN (and GIZ) for having commissioned the IB landscape study coming up with a highly relevant new topic for Nigeria where public and private sector need to work closer together to achieve tangible results for the poor and the economy at the same time. Participants further welcomed that Kaduna government – through KADIPA – wishes to pilot IB. They also supported that some further work being done in 2023 to institutionalize IBee promotion in Nigeria. Participants eagerly wait for the publication of the IB landscape study by end December 2022 and suggested a wide distribution to keep the momentum.

⁷¹ Note that the recommendation deliberately talks about IB targeting and not IB mainstreaming.

Appendix 7-1: Income Poverty in Nigeria between 2003 and 2022

	2003		2010		2015		2018		2020	2021		2022
	%	poor people	%	poor people	%	poor people	%	poor people	%	%	poor people	%
national poverty line												
poverty line												
per capita per year (Naira)							137,430					
per day per person (Naira)							377					
per \$ per day (2011 PPP)							1.93					
per household per month (assuming average household size of 5.06)							57,156					
poverty incidence			44.9		41.6		40.1	82.9	42.0	41.6		42.6
vulnerability line (1.5 times poverty line)												
per capita per year (Naira)							206,145					
per day per person (Naira)							565					
per \$ per day (2011 PPP)							2.9					
per household per month (assuming average household size of 5.06)							85,734					
vulnerable people							25.4	52.6				
poor and vulnerable people							65.5	135.5				
international poverty line and incidence (World Bank)												
as per new international poverty line												
\$2.15 (PPP 2017)	47.9	63.2	34.9	55.3	32.3	58.4	30.9	60.5		39.1	82.7	
\$3.65 (PPP 2017)	75.6	99.7	66.0	104.6	63.4	114.7	63.5	124.3		71.0	150.1	
\$6.85 (PPP 2017)	94.3	123.3	91.2	144.5	89.9	162.9	91.2	178.6		92.0	194.5	
as per former international poverty line												
\$1.9 (PPP 2011)							39.3		41.1	40.7		40.2
\$3.2 (PPP 2011)							71.1		72.6	72.3		71.9
\$5.5 (PPP 2011)							92.1		29.6	92.6		92.4
multidimensional poor							62.9					
population (million people)	131.9		158.5		181.1		195.9		206.1	211.4		216.7
national income												
GDP per capita (USD, current)			2,316.2		2,687.5		2,027.80		1,958.1	2,079.9		2,156.5
GDP per capita (Naira, real)			344,549.9		385,236.1		360,109.6		343,458.2	347,125.9		349,736.8
GNI per capita (USD)										2,311.1		

Sources: World Bank Poverty Inequality Platform (23. Nov. 2022); World Bank (Apr 2022): Macro Poverty Outlook; World Bank (2022): Poverty Assessment for Nigeria

A7-1: Income Poverty in Nigeria between 2003 and 2022

Appendix 7-2: Nigeria Poverty Characteristics 2018

	poverty line (per capita)		total		rural	
	Naira (per year, 2018)	\$ (PPP 2011)	%	number (million people)	%	number (million people)
poverty incidence (nat. pov. Line)	137,430	1.93	40.1	82.9	52.1	69.8
vulnerability	206,145	2.9	25.4	52.6		
poor and vulnerable	206,145		65.5	135.5		
population			100	195.9	84.1	164.8
average household size						
multidimensional poverty index			47.3	97.8	63	
deprivation (in % of people lacking access to)			population	poor		
electricity			23.6	65.4		
secondary education enrollment				70.4		
primary education attainment				69.8		
water			51.0	60.0	51.0	
sanitation				53.4		

Source: World Bank (Feb. 2022): Nigeria Poverty Assessment 2022 (based on the 2018/2019 NLSS)

Appendix 8: Comparing IB with NGO, CSR and SE

Characteristics of IB	NGO driven social enterprise	traditional CSR	SE initiative
commercial setup and impact			
revenue (million USD)	0.01–1.0	0.01–1.0	0.5–3.0
growth	none	none	small–high
typical return expectations	<0%	none	<3–5%
use of profit	none	none	reinvesting and for shareholders
financing	grants	grants	risk reduced impact capital, some grants, some commercial
typical investment needs (million USD)	<0.1	<0.05	0.01–1.0
typical investor	development partners, social organizations, NGOs, some angel investors	company itself	own/friends, angel investors, some impact investors
commercial orientation	no-low		low–medium
social impact			
social reach	small (<100)		small–medium (50–300)
impact on society	small		small–medium
social transformation	not aimed at (sometimes achieved at very small scale)	not aimed at (sometimes betterment for poor achieved at household or village level)	small intent
addressing	social needs first		

urban		Kaduna		Lagos	
%	number (million people)	poverty incidence (%)	median consumption (N, per year, per capita)	poverty incidence (%)	median consumption (N, per year, per capita)
18.0	13.2	43.5	149,697	4.5	310,008
15.9	31.1				
		North: 6.4	South: 4.1		
18.4		52.6		4.9	
		population	poor	population	poor
		48.1		0.9	
		15.8		3.7	
		20.3		2.1	
1.0		43.9		2.2	
		44.4		10.8	

Figure A7-2: Nigeria Poverty Characteristics 2018

Inclusive Business		mainstream commercial companies
IB activity	IB model	
3–300	1–50	1–500
little	medium–high	none–large
0–5%	8–30%	5–30%
reinvesting	reinvesting and for shareholders	own, shareholders
grants, own company investments (some commercial)	impact capital, commercial, own capital	own capital, commercial
0.5–3.0	0.5–30 (or more)	0.2–500 (sometimes more)
company's own financing, investor	impact investors, venture funds, development banks, banks, own financing	banks, venture and investment funds, own financing, development banks
medium	medium–high	medium–high
small–medium (300–2000)	medium–large	not intended
medium–large	medium–large	not designed for impact
small intent with view to upscale big	strong intent	not aimed at
social and business needs at the same time		business needs only (mainly)

Figure A8: Comparing IB with MB, SE and CSR

Appendix 9: The features of the IB Risk Reduction and Social Innovation Fund (IB-RRSIF)

Low impact investing, is not due to lack of funds: Despite of good business approaches, IB have challenges finding appropriate financing: Inclusive Businesses (IB) are commercially viable private sector business lines that deliberately create scaled-up, innovative and systemic solutions for the relevant income or living standard problems of the poor and low-income people (the BoP). Many IB are sponsored by medium sized enterprise, but some are also small and other large companies. Micro-enterprise typically do not qualify as IB. They differ from mainstream business and are often confused with commercially unviable CSR activities or not-for-profit social enterprises. While IB do well by doing good and creating development results most people align with, they are innovative to work in the markets of the poor and are often misunderstood due to lacking knowledge and advocacy. These three reasons giving them structural disadvantages to access financing,

An innovative tool to unleash funding from impact investors: Impact investors have funds but often face low quality investment proposals and final investment risks. Investment risks are mostly related to risk assumptions and a reluctance to invest when investors are not hundred percent convinced of making sufficient returns. (a) Problems with business proposals can be addressed through a focused IB-business coaching and investment structuring. (b) Even if an impact investor is nearly ready (say 80–90%) to invest it will not do so until it is 100% convinced about how the company would mitigate the investment risks. A guarantee would not help giving the investor this; only upfront co-investment would build such trust. Furthermore (c) in some cases, the business risks are assumed by the impact investor, because of missing pilot testing of the proposed business and BoP innovations. An Inclusive Business Risk-Reduction (RR) and Social-Innovation (SI) Fund (IB-RRSIF) would address these risks in one go. The features of the IB-RRSIF are summarized below for further discussion with the Ministry of Finance and a development partner.

Two components-sharing risks of impact investors and piloting innovation of IB companies: The IB-RRSIF would be a fund that co-invest in IB deals proposed by impact investors with 10–20% of the investment size, thereby sharing investment risk, enhancing impact innovations and unleashing potential (but not yet placed) funding of the IB industry. The IB-RRSIF investment would have two components and not always both components are needed in one deal. (1) a co-investment risk sharing component and (2) a grant component for piloting scaling and deepening of social reach.

Typical investments from the IB-RRSIF would be between \$0.05 and \$0.5 million (depending on the company and total deal size), and the SI component would be between \$0.05 and \$0.3 million. A proposed IB-RRSIF of up to \$25 million would unleash a total of \$92.5 million investments of which 81.3 million would come from impact investors. Without the IB-RRSIF this \$93 million investment in IB would not happen at all. 10% each of the IB-RRSIF would be used for management and contingencies (To be invested in additional companies or larger deal sizes), while 45% would be used for the Risk Reduction component and 36% for the social innovation component. The IB-RRSIF would make over 4–5 years investments in 25 small, 25 medium and 15 large sized investments. The average deal size financed by impact investors is between 0.3 and 4 million. The assumption for the investments in the RR component are given in the [Figure A-9](#) below.

Key features of the IB-RRSIF

- **Why not a guarantee?** Different to a guarantee, the risk sharing component would be an up-front co-investment between government (the fund) and the impact investor. In case a deal achieves pre-identified social impact targets but turns into commercial problems, the government share would transform into a grant.⁷² Otherwise, it would be repaid by the impact investor into a revolving fund for new IB investments. and would cover only the social impact of the risks.⁷³
- **Definition of externalities:** There will be transparent criteria when the RR share is being transformed into a grant and these will be detailed upfront in the co-investment agreement

The social innovation component (IB-SIF)

- **IB innovation grant only for selected deals:** For some (not all) deals a grant will be added to the RR investment deal, to pilot innovations for expanding and deepening social impact. This grant (\$0.1–\$0.4 million depending on the total investment size of the respective deal) will be given to the II to directly pass on to the company to create direct benefits for the BoP by piloting an investment component that would increase reach and deepen social impact and be upscaled by lined-up II investment.⁷⁴ It cannot be used as a technical assistance or for design costs.

Other features for establishing the IB-RRSIF

- **Fund management:** No expensive fund manager is needed, as investment decisions should be made by the investment committee. The investment committee would be composed of one representative each of the executing agency, the Ministry of Finance, an impact investing or bank representative, a private sector (business association) representative, the development partner sponsoring the IB-RRSIF (if wished so), and a technical consultant assessing the deals. The fund can be managed under the Ministry of Finance, a development bank, the executing agency, or through a separate financial institution.
- **Investment committee instead of fund manager:** As the due diligence for the deals would be done by the impact investors, the fund would not need a fund manager; rather a lean investment committee and a third-party investment assessor double checking the proposals from the impact investors would be sufficient to run the fund. The third party (consultant) would also have some funding for doing impact assessment and further investment preparation work.
- **IB-RRSIF cooperation partners:** A set of 12–15 impact investors would be pre-identified for its eligibility to access the IB-RRSIF funding. The endorsement of deals is on a case by cases basis and done by the investment committee; no pre-identified amount targeting to specific impact investors will be done. About 15% of the allocation would be kept for impact investors which are not pre-identified.

72 The definition of these externalities would be clearly specified, but applied in a flexible way to allow relevant business innovations.

73 For example, a housing company delivers quality living to the BoP. But when COVID came, many customers lost their job and needed to restructure their mortgage payments. The impact investor makes some commercial loss because of longer repayment and this would be covered by the government payment in the IB-RRSIF, because the social impact is achieved and will remain so.

74 For example, a water company is doing already last mile connections in villages. However, it wants to pilot mechanism to cross-finance the connection to very poor household on the outskirts of villages. To test this and later upscale, the water company would need a small grant up to \$0.2 million. Note that the SI component is not to do CSR work and upscaling must be part of the company's business plan vetted by the impact investor to achieve more growth in revenue and profit as well as larger and better social impact for the BoP.

- Investment partners: The fund would best be re-financed through a development bank as a public sector loan with a strong grant component to the government. AFDB, EC, IFAD, World Bank or a bilateral development bank (like KfW or AFD) may perhaps be interested in financing such fund either as a stand-alone development project or as a component under future programs.
- The sustainability of the fund is given by 1) the repayment of the deals into a revolving fund, 2) the additional money generated through interest payment, 3) additional investments unleashed, and 4) the actual social impact and growth generated.
- We assume that 15 of the small, 10% of the medium sized and 5% of the large deals could have problems in commercial viability, amounting to a total default of 0.9 million (only 4% of the invested money).
- However, considering also the grant expenditures for the SI component and the administrative costs (including contingencies), we calculate a replacement rate of 50–70%, depending of whether or not interest is paid and how high this will be. Assuming an interest payment of 5% (on USD basis) the replacement ratio would be 57% and under the 10% scenario it would be 64%. If the government could agree on not asking for interest payment the replacement ratio would be 50%. This includes of course the costs for management fees and contingencies. The study sees an interest rate of 15% on USD basis as not reasonable, given that the IB-RRSIF is a development investment and commercial return expectations should not be maximized as in other private sector considerations.
- The social rate of return is of course much higher and the financial rate of return of the investments (i.e. the impact on economic growth and tax potential) is also very large. This is because IB companies have high profitability and all pay good corporate tax. We also see IB investments typically having high growth rate. We can calculate the rate of return for the economy further. This will only insist that the Treasury would lose a lot of tax opportunities if these investments in IB would not come through. For the ministry of Finance, the IB-RRSIF pays off very well.

Going forward it is suggested, that the IB RRSIF is further discussed during the pilot phase of the IBeeN in Kaduna and it could be implemented in a two phased approach testing it in Kaduna first and then upscaling nation-wide. A working group should be set up to lead the discussion and bring it to a concrete conclusion by end 2023.

The proposed IB-RRSIF for Nigeria

	investment size			Total/average	
	small	medium	large		
investments					
number of deals made in 4-5 years	25	25	15	65	
average deal size financed by impact investor (million \$)	0.3	1.0	4.0	1.4	
total investments unleashed (million \$; % of total investments from IB-RRSIF and impact investors)	7.5	25.0	60.0	92.5	100%
The IB-RRSIF					
the risk reduction component					
risk reduction share per deal (%)	20%	15%	10%		
average RR-investment (million \$)	0.06	0.15	0.4		
total RR-investment by the IB-RRSIF (million \$)	1.5	3.8	6.0	11.3	45%
actual investment financed by the impact investor (million \$; % of total IB-RRSIF costs)	6.0	21.3	54.0	81.3	88%
the social innovation component					
number of deals with SI co-financing (% of total deals invested in)	12	15	10	37	57%
average SI investment per deal (million \$)	0.15	0.25	0.35	0.24	
total SI investment (million \$; % of total IB-RRSIF, % of total IB-RRSIF costs)	1.80	3.75	3.50	9.05	36%
management fees (million \$; % of total IB-RRSIF costs)				2.50	10%
total IB-RRSIF costs					
base costs (% of total IB-RRSIF costs)				22.80	91%
contingencies (% of total IB-RRSIF costs)				2.2	9%
total (million \$; % of total IB-RRSIF costs)				25.00	100%
The sustainability of the IB-RRSIF					
the risk reduction component					
percent of non-performing IB-RR investments	15%	10%	5%		
amount of IB-RR investments not being repaid (million \$; % of total IB-RRSIF)	0.23	0.38	0.30	0.90	4%
the SI component, provided as grant (million \$; % of IB-RRSIF costs)				9.05	36%
the management component (million \$; % of IB-RRSIF costs)				2.50	10%
income from interest payment on the IB-RR component over 5 years repayment with 1 year grace on principle (million \$)					
at 5%				1.69	
at 8%				3.38	
at 15%				5.06	
sustainability rate/total funding available in the 2nd rounds and sustainability rate (million \$; % of total IB-RRSIF base costs)				million \$	%
without interest payment				12.55	55%
assuming 5% interest payment (preferred)				14.24	62%
assuming 10% interest payment				15.93	70%
assuming 15% interest payment (not advisable)				17.61	77%

Notes: The details need to be further discussed with the Ministry of Finance and the development partner financing the IB-RRSIF

Figure A9: Investment features of the IB-RRSIF

Appendix 10: Selected Literature and References

- Adegbesan, E. (2022) *Nigeria's public debt hits N44trn*, Vanguard News. Available at: <https://www.vanguardngr.com/2022/12/nigerias-public-debt-hits-n44trn/> (Accessed: December 15, 2022).
- African Development Bank: *Country Strategy Paper for Nigeria*. <https://www.afdb.org/en/documents/zambia-combined-country-strategy-paper-2017-2021-update-and-extension-december-2022-and-2021-country-portfolio-performance-review>
- African Development Bank: *The Nigeria Digital Investment and Creative Enterprises Program. Project Appraisal*. <https://www.afdb.org/en/documents/nigeria-investment-digital-and-creative-enterprises-i-dice-program-project-appraisal-report>
- Agence Française de Développement (AfD) (May 2022): *Nigeria Social and Inclusive Business Diagnostics* (in French only)
- Akin-Okunbiyi, Pekani (021): *CSR in Nigeria*
- Ariemu, O. (2022) *Nigeria's inflation hits 21.09% in October*, Daily Post Nigeria. Available at: <https://dailypost.ng/2022/11/15/nigerias-inflation-hits-21-09-in-october/> (Accessed: December 15, 2022).
- ASEAN (Sept 2020): *ASEAN Guidelines for the Promotion of Inclusive Business*. <https://asean.org/wp-content/uploads/2021/09/6.-ASEAN-IB-Promotion-Guidelines-Endorsed-at-the-52nd-AEM.pdf>
- Bauer, Armin (2021) for IBAN: *IB and II as Strategies for IG in Nigeria*, internal document / not published
- Bauer, Armin (2021) for IBAN: *Various comments and write ups on Nextier reports on COVID response with IB and II relevance*, internal document/not published
- Bauer, Armin (Jan 2021) for IBAN: *IB and II as Strategies for IG in Nigeria*. internal document / not published
- Bauer, Armin (June 2022): *IB Landscape study, Methodology Workshop, presentation 1 (company assessment) and 2 (policy assessment)*, internal document/not published
- Bauer, Armin (May 2021) for IBAN: *Inputs for Seminar on Next Steps for Inclusive Business Policy Promotion in Nigeria (Wednesday 26 May 2021–Thursday 27 May 2021)*, internal document/not published
- Bauer, Armin (Oct 2019): *IB South-South Dialogue between Nigeria and ASEAN. ASEAN IB Summit*, internal document/not published
- British Council (March 2022): *The State of Social Enterprises in Nigeria*. <https://www.british-council.org/society/social-enterprise/reports/state-social-enterprise>
- CGAP (Jan 2021): *Smallholder Household Data*. <https://www.inclusivebusiness.net/node/5302>
- Dalberg (December 2019): *Nigeria and Ghana Impact Investing and Policy Landscape. Report for GIIN*. <https://thegiin.org/research/publication/nigeria-and-ghana-impact-investing-and-policy-landscape/>
- G20 (2015): *The Inclusive Business Framework*. <https://www.g20.org.tr%2fwp-content%2fuploads%2f2015%2f11%2fG20-Inclusive-Business-Framework.pdf/RK=2/RS=o46vPm4dX3liE-0d3RK8FM4qHSME>

- GIZ/Siemens Foundation (Oct 2021): *Social Enterprises as Job Creators in Africa. Nigeria Country Profile*. <https://www.siemens-stiftung.org/medien/aktuelles/laut-einer-neuen-studie-der-siemens-stiftung-schaffen-sozialunternehmen-dringend-benoetigte-arbeitsplaetze-in-afrika/>
- Government of Nigeria. National Bureau of Statistics (May 2020): *2018/2019 Nigeria Living Standard Survey (NLSS)*. <https://nigerianstat.gov.ng/nada/index.php/catalog/68>
- Government of Nigeria. Small and Medium Enterprises Development Agency of Nigeria (SMED-AN): *SME Census 2019*. <https://smedan.gov.ng/>
- Government of Nigeria. Small and Medium Enterprises Development Agency of Nigeria (SMED-AN): *The 2021-2025 National MSME Policy*. <https://rwww.smedan.gov.ng%2fimages%2fPD-F%2fMSME-National-Policy.pdf/RK=2/RS=dvxi13DBsTF989zQAQHFpdYlAz4->
- Hsieh, C.T. / Oikenm B. (2014): *The Missing Middle*. In: Journal of Economic Perspective 28-3-2014 Inclusive Business Action Network (Jan 2022) *Inclusive Business and Impact Investment as Strategies for Inclusive Growth in Nigeria*. <https://www.inclusivebusiness.net/node/5506>
- ILO, I. (2020) *95.7 million Nigerians to live below poverty line by 2022- World Bank, The ICIR*. Available at: <https://www.icirigeria.org/95-7-million-nigerians-to-live-below-the-poverty-line-by-2022-world-bank/> (Accessed: December 15, 2022).
- Impact Investors Foundation (Apr 2022): *Mapping the Future of Impact Investing in Nigeria*. <https://fimpactinvestorsfoundation.org%2f2022%2f04%2f05%2fmap-ping-the-future-of-impact-investing-in-nigeria-a-summary-of-the-nigerian-national-advisory-board-for-impact-investing-nabii-strategy-meeting%2f/RK=2/RS=0cV25HaaBsy61lmVTqPxYtL4xU->
- Inclusive Business Action Network/Zambia Development Authority (Dec 2022): *The Inclusive Business Landscape Study for Zambia*. (Forthcoming)
- Inclusive Business Action Network (Jan 2022) *Inclusive Business and Impact Investment as Strategies for Inclusive Growth in Nigeria*. <https://www.inclusivebusiness.net/node/5506>
- Inclusive Business Action Network (Jan 2022): *Find Investors aligned with your Values*. <https://www.inclusivebusiness.net/ib-voices/find-investors-aligned-your-values>
- Inclusive Business Action Network (Oct 2021) *Inclusive Business and Impact Investing in Nigeria. Setting the Stage*
- Inclusive Business Action Network/Nextier (2021): *Operationalizing IB in Nigeria's COVID Response. Report for the COVID-19 Consortium* (internal document/not published)
- Inclusive Business Action Network/UNDP et al (Sept 2021): *Inclusive Business Features. The Distinguishing Characteristics of Business that Engage the Base of the Pyramid*. <https://www.inclusivebusiness.net/node/5434>
- Inclusive Business Action Network (2018): *Next Challenges for Inclusive Business in Nigeria*. <https://www.inclusivebusiness.net/ib-voices/2018-next-challenge-inclusive-business-nigeria>
- Inclusive Business Action Network/UNDP et al (2017): *Next Challenges for Inclusive Businesses in Nigeria*. https://fwww.inclusivebusiness.net%2fib-voices%2f2018-next-challenge-inclusive-business-nigeria/RK=2/RS=CORf0DNu3QRP_Gc9JMgfgEydW0o-
- Inclusive Business Action Network: *The Inclusive Business Enabling Environment Network (IB-ee.net)*. <https://www.ib-ee.net/>

- Inclusive Business Action Network (IBAN). *The largest database on the Inclusive Business discussion world-wide.* www.inclusivebusiness.net
- International Center for Tax and Development (2019): *The Nigeria Tax and Subsidy Perception data.* www.ictd.ac/dataset/nesg-nigeria-tax-subsidy-perception-dataset
- International Finance Corporation (IFC) and World Resource Institute (Mar 2007): *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid and International Finance Corporation, 2007.* <https://www.wri.org/fresearch/next-4-billion/RK=2/RS=67eiDKfIT0iUVyh.8HAHcHcqMRs->
- Izuaka, M. (2022): *Nigeria's economy grew at 3.40% in 2021, fastest in eight years, Premium Times Nigeria.* Available at: <https://www.premiumtimesng.com/news/headlines/512104-nigerias-economy-grew-at-3-40-in-2021-fastest-in-eight-years.html> (Accessed: December 9, 2022)
- Kevin (2020) *Legal and Regulatory Framework for doing business in Nigeria, IR Global.* Available at: <https://www.irglobal.com/article/legal-and-regulatory-framework-for-doing-business-in-nigeria-579/> (Accessed: December 9, 2022).
- NAFDAC (Dec. 2022): *Business environment – invest in Nigeria.* Available at: <https://indusren.com/why-nigeria/nigerian-business-environment/> (Accessed: December 9, 2022).
- News, B. (2021) *Nigeria unemployment rate rises to 33%, second highest on Global List – BNN Bloomberg, BNN.* Available at: <https://www.bnnbloomberg.ca/nigeria-unemployment-rate-rises-to-33-second-highest-on-global-list-1.1577302#:~:text=%28Bloomberg%29%20--%20Unemployment%20in%20Africa%E2%80%99s%20largest%20economy%20surged,National%20Bureau%20of%20Statistics%20on%20its%20website%20Monday.> (Accessed: December 15, 2022).
- Nextier (May 2021) *IB and Impact Investment in Nigeria – Strategic Recommendation for COVID 19 Response.* 3 reports with detailed comments and suggestions from Armin Bauer, internal document/not published
- Nextier (May 2021) *IB and Impact Investment in Nigeria – Strategic Recommendation for COVID 19 Response.* 3 reports with detailed comments and suggestions from Armin Bauer/not published
- Nigeria Economic Summit Group (2019) *Attitudes and Perceptions of Nigerians towards Tax Compliance and Fuel Subsidies.* See McCulloch et al (2021): *Fuel Subsidy reforms and Social Contract in Nigeria.* In: *Energy Policy* No 156.
- Nigeria Investment Promotion Commission (Jan 2020): *Nigeria Investment Guide.* <https://www.nipc.gov.ng/product/nigeria-investment-guide-january-2020/RK=2/RS=1iNFGiwjg-MWM58nZ5GrSa43esTQ->
- Nigeria Investment Promotion Commission (Oct 2017): *Compendium of Investment Incentives in Nigeria.*
- Nigeria National Bureau of Statistics (2020): *The 2019 Poverty and Inequality Survey. Executive Summary*
- Nigerian finder (no date) *Nigeria's premier online information resource.* Available at: <https://nigerianfinder.com/> (Accessed: December 9, 2022).
- O.D.A. (2021) *How Nigeria is evolving into Africa's leading e-commerce powerhouse, TECH dot AFRICA.* Available at: <https://tech.africa/nigeria-ecommerce-growing/> (Accessed: December 15, 2022).

- Ogunbiyi, T. (2022) *Why Nigeria is losing its place as Africa's FDI Hub*, *Businessday NG*. Available at: <https://businessday.ng/opinion/article/why-nigeria-is-losing-its-place-as-africas-fdi-hub/> (Accessed: December 15, 2022).
- Okar S.C./Okafor, Gloria (Jul 2021): *Corporate Social Responsibility Practices: The Nigerian Experience*; in: Idowu, Samuel: *Current Global Practices of CSR*. https://link.springer.com/chapter/10.1007/978-3-030-68386-3_24
- Onyedinefu, G. (2022) *Boosting Nigeria's ranking on ease of doing business via standards*, *Businessday NG*. Available at: <https://businessday.ng/news/article/boosting-nigerias-ranking-on-ease-of-doing-business-via-standards/> (Accessed: December 9, 2022).
- Oseni, G. et al (2021): *Impact of COVID on Nigerian Households*. *The World Bank*.
- PWC: *Doing Business in Nigeria*. <https://www.pwc.com/ng/en/publications/doing-business.html>
- PWC: *Nigeria SME Survey*. <https://www.pwc.com/ng/en/events/nigeria-sme-survey.html>
- Taofik Salako and Lucas Ajanaku (2022) *Nigeria not benefiting from high crude price, says NESG the nation newspaper*, *The Nation Newspaper*. Available at: <https://thenationonline.net/nigeria-not-benefiting-from-high-crude-price-says-nesg/> (Accessed: December 15, 2022).
- The Guardian (2016): *Social Impact Business – a New Model for Nigeria?* <https://guardian.ng/business-services/social-impact-businesses-a-new-model-for-nigeria/>
- Threshold Consult (2021): *Corporate Governance and Social Responsibility in Nigeria*
- UN Economic Commission for Africa (UNECA) (Dec 2020): *Innovative Finance for Private Sector Finance in Africa*
- UNDP (2016): *Realizing Africa's Wealth. Building Inclusive Businesses for Shared Prosperity*.
- World Bank (2016): *Poverty Reduction in Nigeria in the last Decade*. <https://openknowledge.worldbank.org/handle/10986/25825>
- World Bank (2020): *Doing business in Nigeria (2020) World Business Culture*. Available at: <https://www.worldbusinessculture.com/country-profiles/nigeria/#> (Accessed: December 9, 2022).
- World Bank (2021): *Has Poverty Been Reduced? The Nigeria Poverty Assessment*. <https://www.worldbank.org/en/country/nigeria/publication/afw-nigeria-poverty-assessment>
- World Bank (2021): *Nigeria Economic Profile*
- World Bank (2022): *Nigeria at a Glance*. <https://www.worldbank.org/en/country/nigeria/overview#1>
- World Bank (Apr 2013): *MSME Finance in Nigeria*. <http://www.worldbank.org/en/results/2013/04/05/msme-finance-expanding-opportunities-and-creating-jobs>
- World Bank (Apr 2022): *Nigeria Macro Poverty Outlook*. <https://www.worldbank.org%2fpublication%2fmacro-poverty-outlook/RK=2/RS=a.hGusipyGXZ0gfOhXwgcGLwvA->
- World Bank (April 2022): *Picking Up the Pace f Poverty Reduction in Nigeria*. <https://blogs.worldbank.org/african/afw-picking-pace-poverty-reduction-nigeria>

World Bank (Dec 2020): *Rising to the Challenge. Nigeria's COVID Response*. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/152691607607461391/rising-to-the-challenge-nigerias-covid-response>

World Bank (Dec 2022): *Nigeria Data*. Available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=NG> (Accessed: December 9, 2022).

World Bank (Feb 2022) *Nigeria Poverty Assessment. A Better Future for All Nigerians*. <https://documents1.worldbank.org/curated/en/099730003152232753/pdf/P17630107476630fa09c990da780535511c.pdf> <https://www.worldbank.org/en/country/nigeria/publication/afw-nigeria-poverty-assessment>

World Bank (June 2021): *Nigeria Economic Update – Resilience through Reforms*. <http://documents.worldbank.org/curated/en/389281623682704986/Resilience-through-Reform>

World Bank (March 2022): *Nigeria Poverty Assessment 2022. A Summary* <http://www.worldbank.org/en/news/infographic/2022/03/21/afw-nigeria-poverty-assessment-2022-a-better-future-for-all-nigerians>

World Bank (Nov 2021): *Nigeria Development Update*. <http://www.worldbank.org/en/country/nigeria/publication/nigeria-development-update-ndu>

World Bank (Nov 2021): *Small Investments Big Impact. How the Private Sector can Deliver More to the Poorest*. <http://www.worldbank.org/en/news/factsheet/2021/11/15/small-investments-big-impact-5-ways-ida-is-leveraging-the-private-sector-to-deliver-more-for-the-poorest>

World Bank (Oct 2022): *Nigeria Poverty and Equity Brief*. <https://documents1.worldbank.org/curated/en/099730003152232753/pdf/P17630107476630fa09c990da780535511c.pdf>

World Bank (Sept 2022): *Poverty and Shared Prosperity Report*. <https://www.worldbank.org/en/publication/poverty-and-shared-prosperity>

Yusuf, A. and Mohd, S. (1970) [PDF] *Growth and fiscal effects of insecurity on the Nigerian economy: Semantic scholar, undefined*. Available at: <https://www.semanticscholar.org/paper/Growth-and-Fiscal-Effects-of-Insecurity-on-the-Yusuf-Mohd/3492e2184041a5a6699a0a65ff2a983b67d88f68> (Accessed: December 9, 2022).



Inclusive Business Action Network (iBAN)

The Inclusive Business Action Network (iBAN) is a global initiative supporting the scaling and replication of inclusive business models. Through its strategic approach iBAN supports companies with tailor-made investment readiness programmes and develops national inclusive business policy strategies with policymakers. On a global level iBAN manages the largest online knowledge platform (www.inclusivebusiness.net) on inclusive business. iBAN creates a space where evidence-based knowledge transforms into learning and new partnerships. With its focus on promoting the upscale of inclusive business models and consequently improving the lives of the poor, iBAN is actively contributing to the achievement of the United Nations Sustainable Development Goals. iBAN is funded by the German Federal Ministry for Economic Cooperation and Development. It is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. An earlier phase of this project (01/2017–12/2021) was supported by the European Union.



Nextier is a multi-competency advisory firm with core competencies in strategy, finance, policy research, analysis, design and implementation.

Please direct any queries about this report to

Patrick O. Okigbo III

Founder/Principal Partner, Nextier

Web: www.thenextier.com

E-mail: pokigbo@thenextier.com

Dr. Armin Bauer

International Inclusive Business Expert

E-mail: mail@armin-bauer.com