



Company Survey 2016

G20 Global Platform on Inclusive Business

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I. Introduction

Inclusive businesses often struggle with challenging operating environments that can prevent them from adopting inclusive business models, replicating to new geographies, and reaching more people who live at the base of the pyramid. Effective and efficient inclusive business policies can help to overcome these barriers.

As the bridge that connects policymakers and inclusive businesses, the Global Platform for Inclusive Business (GPIB) conducted a survey in the spring of 2016 to crowdsource policy ideas and challenges that companies face specifically as inclusive businesses. The results of the survey are intended to inform future research and policy efforts and ensure that they remain relevant to the needs of inclusive businesses.

GPIB reached out to a broad network of inclusive businesses, including the inclusive business clients of the World Bank Group's International Finance Corporation (IFC); members of the United Nations Development Programme's (UNDP) Business Call to Action; members of the World Business Council for Sustainable Development; partners of the Inclusive Business Action Network; the inclusive business network of the Asian Development Bank; among others. The goal was to reach a variety of inclusive businesses representing a range of sectors, sizes, years in operation, and approaches to inclusive business. (See Box 1).

Box 1: Inclusive Business Approaches

Inclusive Business Models integrate people at the base of the pyramid into a company's core business in a commercially viable manner. Companies with inclusive business models rely primarily on market rate financing and seek to achieve market returns from all BOP-related activities.

Inclusive Business Activities integrate people at the base of the pyramid into a company's value chain through activities that are not central to the company's commercial viability. While the activities may contribute to a company's overall strategy, the activities may not be intended to realize market rate returns.

Social Enterprise Initiatives are guided principally by a stated social objective and may or may not be structured to maximize profit. While social enterprise initiatives are market-oriented, they typically rely on a mix of various types of funding, including philanthropic and market rate financing.

The survey asked questions related to:

- **Obstacles** to success for inclusive businesses
- **Awareness** of government efforts to support inclusive business
- **Internal initiatives** that inclusive business respondents have implemented to overcome obstacles
- **Recommendations** from respondents for future policies that could address unmet needs

The survey focused on the four main policy areas identified in the G20 Inclusive Business Framework: capacity, financing, information, and rules and regulations.

II. Characteristics of Survey Respondents

A total of 54 inclusive businesses worldwide responded to the survey. These businesses represented a range of sectors, sizes, years working with the BOP, and approaches to inclusive business. In order to help bridge the gap between policymakers and inclusive businesses, the survey asked about how respondents currently interact with government. The total number and the diversity of respondents provides insight into the perspective of an inclusive business. However, due to the much larger number of inclusive businesses that are known to be active globally, these responses should not be taken as representative of the entire body of inclusive businesses. In some cases, when the figures are broken down for further analysis, the number of responses is small.

Approach

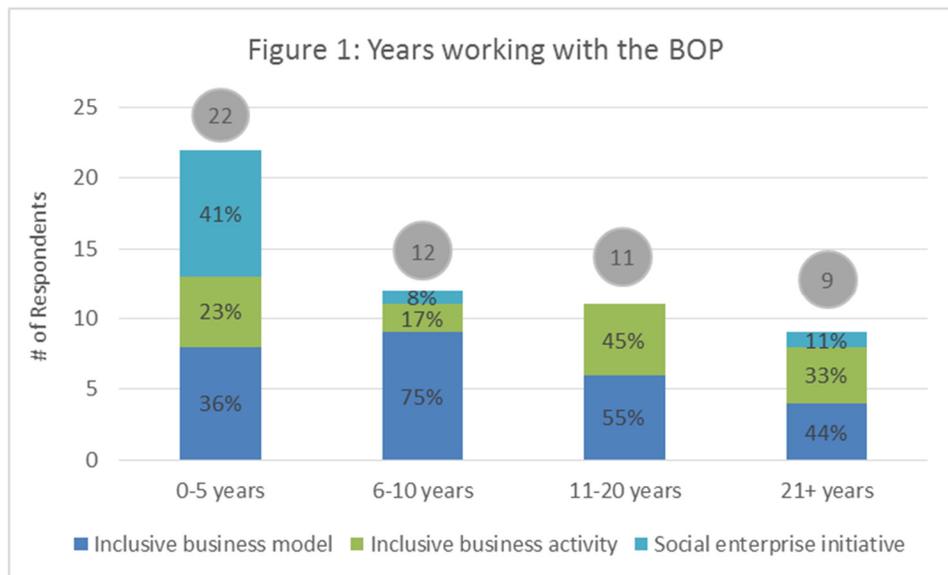
Half of all respondents self-identified as having an inclusive business model.

A further 28 percent self-identified as having inclusive business activities and 20 percent self-identified as being a social enterprise initiative.¹

Years working with the BOP

Twenty-two respondents, or over forty percent, have been doing business with people at the base of the pyramid for five years or less.

Other companies have much more experience working with the BOP, such as the nine respondents that have been engaging BOP populations for over 20 years. Social enterprise initiatives were most likely to be new to working with the BOP; 82 percent of social enterprise respondents have been working with the BOP for five years or less.



Role of BOP in Respondents' Value Chains

¹ See Box 1. For additional information on the different approaches to inclusive business, see the G20 Inclusive Business Framework, available at: http://g20inclusivebusiness.org/sites/default/files/reference-attachments/G20%2BInclusive%2BBusiness%2BFramework_Final.pdf

Seventy-five percent of respondents work with BOP suppliers or BOP customers.

Respondents engage the BOP in a variety of ways. Thirty-eight percent of respondents integrate people living at the base of the pyramid into the company's value chain as suppliers. The majority of these companies (59 percent) are in agriculture. A further 35 percent of respondents focus on BOP customers. Fewer respondents focus on working with BOP retailers and distributors, 14 percent and 11 percent respectively. Some respondents engage the BOP in multiple roles. For example, a third of respondents that focus on BOP customers also work with BOP suppliers.

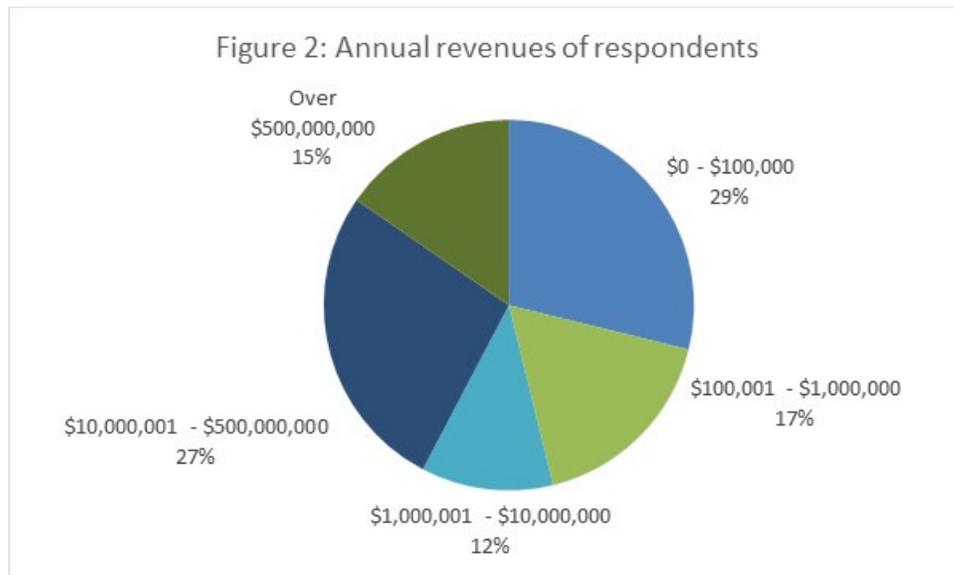
Primary Sector

Agribusiness is the most common sector among respondents, representing 41 percent.

Finance is the next most common sector, representing 11 percent of respondents; utility companies follow at 9 percent. Other sectors represented include: education, health, housing, mobile, retail, marketing, and mining.

Company Size

The annual revenues of respondents varied significantly, from less than \$100,000 to over \$500 million.



Regional Focus

All regions are represented in the survey.

The highest proportion of respondent companies were active in the Latin America and the Caribbean region (39 percent), followed by South Asia (33 percent), Sub-Saharan Africa (31 percent), and East Asia Pacific (20 percent). Other regions in which less than 15 percent of respondents are active include North America, Western Europe, Middle East and North Africa, and Eastern Europe and Central Asia.²

² Percentages do not add up to 100 percent because many respondent companies are active in more than one region.

In order to comment on their interaction with government agencies and knowledge of government policies which are often country specific, respondents were asked to base their responses on the country in which they had the most business with the base of the pyramid. These countries are mapped in Figure 1. For the full list of countries, see Annex 1.

Figure 3: Countries Selected by Respondents

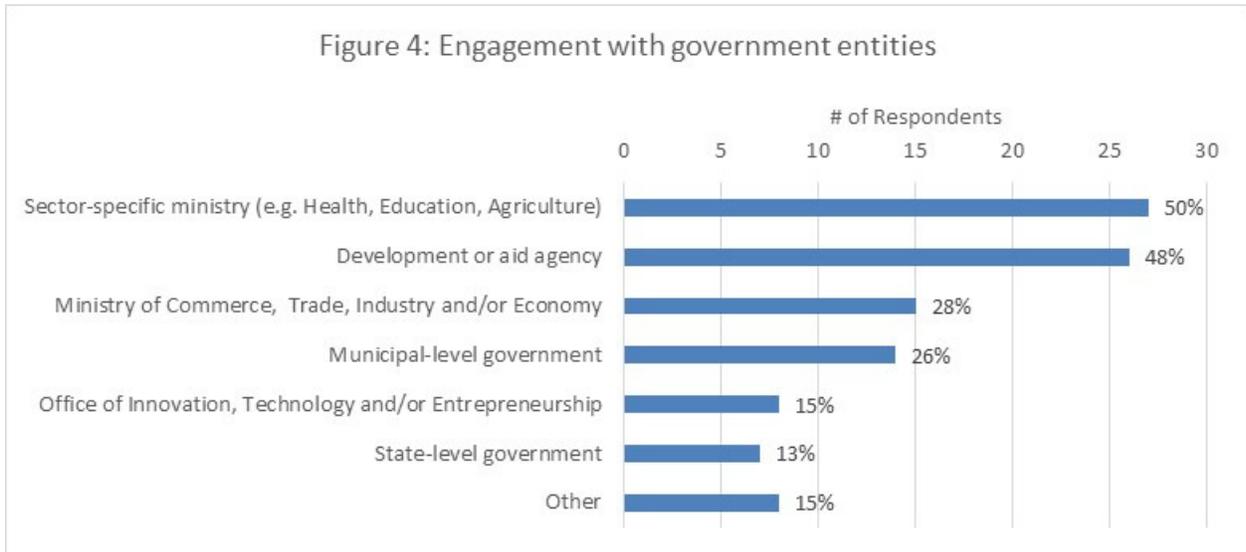


Engagement with Government

Companies most frequently interact with sector specific ministries and development or aid agencies on inclusive business issues.

A total of 46 percent of respondents interact with more than one public sector entity. The most common public entities that respondents’ businesses interact with are sector specific ministries (50 percent) and development or aid agencies (48 percent of respondents). The next most common are ministries of commerce, trade, industry, etc. (28 percent) and municipal-level entities (26 percent). Other entities cited were innovation, technology, and entrepreneurship agencies (15 percent), state-level entities (13 percent), and others (15 percent).

Figure 4: Engagement with government entities



Inclusive business respondents employ varying channels to interact with the government. Sixty-seven percent engage with government institutions directly. Other common ways for respondents to engage is through industry associations (39 percent) and business-government dialogue initiatives (33 percent). A less common method for respondents is through a local chamber of commerce (7 percent).

Thirty-nine percent of respondents are aware of membership organizations that advocate specifically for inclusive businesses. The respondents named both internationally-focused organizations and domestically-focused organizations. See Annexes 2 and 3 for a complete list of government agencies and other institutions cited.

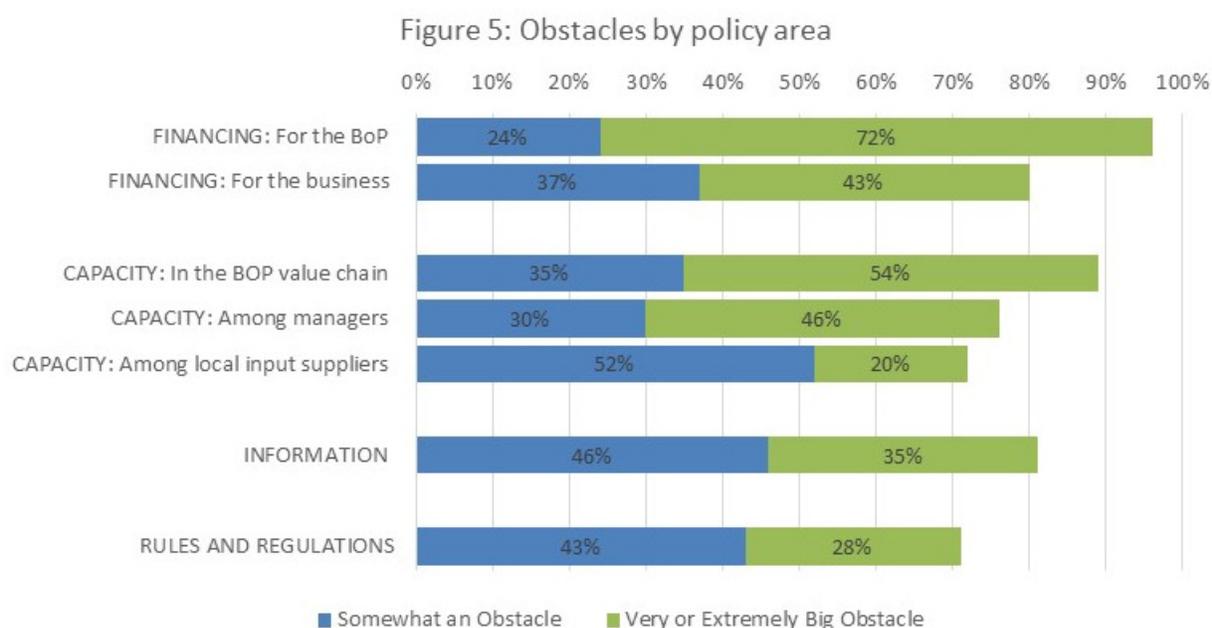
III. Summary of Results

The GPIB Company Survey sought company feedback on issues related to each of the four main policy areas identified in the G20 Inclusive Business Framework:

- **Capacity:** Includes capacity among staff and partners, as well as among the BOP that are engaged in the companies' value chains.
- **Finance:** Includes access to suitable and affordable financing for the inclusive business or for the BOP in the business' value chain.
- **Information:** Includes access to information, research, and data to support inclusive business operations and enable and expand a company's reach to the BOP.
- **Rules and Regulations:** Includes laws and other measures that may affect BOP engagement positively or negatively, such as trade policies, tax legislation, and governmental targets.

Summary of Obstacles

Inclusive business' experiences with the four major policy areas vary. In each of the categories, at least 70 percent of respondents stated that their businesses face somewhat, very, or extremely big obstacles.



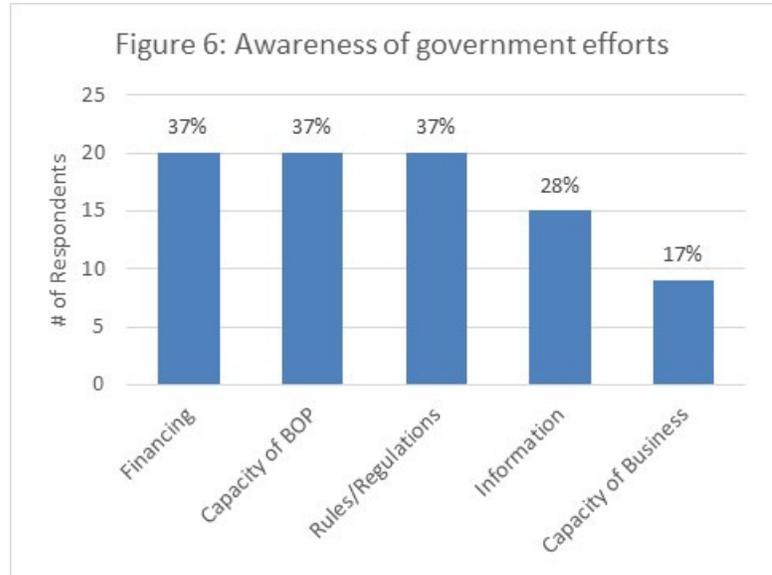
Summary of Awareness of Government Efforts

Fifty-nine percent of respondents are aware of either a government effort to encourage inclusive business or of a government strategy that references the private sector's work with the BOP.

Respondents noted the high-level nature of many government efforts, highlighting global efforts such as the United Kingdom's work through its G8 Social Impact Investment Task Force and Sweden's focus on the Sustainable Development Solutions Network, the 2030 Agenda for Sustainable Development, and the related Sustainable Development Goals.

Some respondents noted that while broad directional statements and pronouncements about inclusive business are becoming more common, there are few clear programs attached to them such as policy implementation roadmaps or incentives. At the same time, there is clear feedback that – like other companies – inclusive businesses sometimes struggle to operate across borders, as policies and approaches to inclusive business differ across countries.

Drilling down to each of the four key policy areas, less than forty percent of respondents were aware of government efforts on inclusive business in each of the four areas. Awareness was especially low about government efforts to support information sharing and to support the capacity of inclusive businesses.

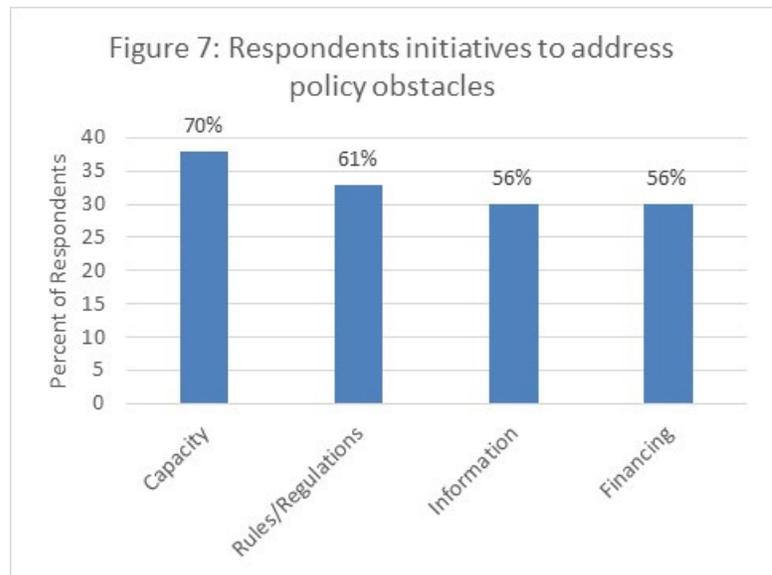


Awareness was especially low about government efforts to support information sharing and to support the capacity of inclusive businesses.

Summary of Business Initiatives

Respondents indicated that inclusive businesses are not waiting for governments to meet their needs in the four key policy areas. While respondents indicated that policy would be and is beneficial in many instances, over half of respondents reported that the inclusive businesses they represent have pioneered their own initiatives to meet needs related to finance, capacity, information and rules and regulations.

Business-led efforts to build capacity were most common (70 percent), while efforts related to financing were less common (56 percent).



Summary of Recommendations

When asked what policies they would most recommend being changed or put in place, nearly half of respondents identified policies to facilitate access to finance and/or provide financial incentives to the business.

Policy recommendations vary by region: respondents in Latin America and the Caribbean, Sub-Saharan Africa, and Western Europe most recommended policies related to financing. Recommendations also vary by the approach the respondent has taken to inclusive business; respondents with inclusive business

models most recommended financial policies, whereas respondents with inclusive business activities are equally interested in financial policies and rules and regulations and respondents with social enterprise initiatives illustrated an additional interest in capacity-building policies.

Figure 8: Respondents' Recommendations

Policy Area	Percentage
Finance	51 percent
Rules	28 percent
Capacity	15 percent
Information	4 percent

IV. Financing

Survey Highlights:

- Forty-three percent of respondents stated that access to finance is a ‘very’ big or ‘extremely’ big obstacle for their business.
- Seventy-two percent of respondents stated that access to finance is a ‘very’ big or ‘extremely’ big obstacle for the BOP in their value chains.
- Over half of the companies responding have launched their own initiatives to provide or facilitate financing to the BOP.

Access to finance throughout the value chain and financial incentives for engaging the BOP can play important roles in strengthening BOP markets.

Examples of financing initiatives include: financing and insurance services designed for companies reaching the BOP; financing and insurance services designed for the BOP; tax incentives; subsidies and other non-tax incentives; challenge funds / matching grants; and credit guarantee schemes.

Obstacles Related to Financing:

For inclusive businesses, the challenges posed by limited access to finance are two-fold: first, the challenge of financing the business itself, and second, the challenge of having a value chain that does not have access to finance.

Businesses’ access to finance varies considerably across the survey sample; 43 percent of respondents stated that it is a ‘very’ big or ‘extremely’ big obstacle for their business. For respondents that had been working with the BOP for five years or less, a commonly cited obstacle was in moving from donor funding to investor funding, and in overcoming upfront capital expenditures. Respondent comments about inclusive businesses’ access to financing describe several obstacles, including:

“There are few financial resources available to grow our business.”

- Survey respondent

- **Constraints posed by working with domestic banks**, including high domestic interest rates, cash equity requirements, and a lack of liquidity.
- **Need for long-term financing**, such as credit lines.
- **Challenges in raising seed funding and overcoming investors’ low risk appetites**, which often limits a firm’s ability to innovate.

Limited BOP access to finance was ranked as the largest obstacle in the survey; 72 percent of respondents stated that access to finance is a ‘very’ big or ‘extremely’ big obstacle for the BOP in their value chains. This obstacle was evident across regions and in all sectors. According to respondents, some of the challenges the BOP face stem from issues similar to those that challenge inclusive businesses – lack of liquidity, no long-term financing, and high interest rates – though in the case of the BOP they are likely to be more severe.³ Other barriers cited however are specific to the BOP, including:

³ The survey did not ask respondents to rate the severity of the obstacle they listed.

- **BOP suppliers – especially farmers -- are not viewed as credit worthy.** Land lease contracts are rarely accepted as a credit security. Further, there are few options for blanket loans for groups of BOP borrowers such as cooperatives.
- **Informal earners** have almost no access to finance, often limiting large purchases to those working in the formal sector.
- **There is a large gap** between BOP income levels and the high cost of investments like higher education and housing. At times, this all but requires a subsidy to enable people living at the BOP to make large purchases.

Awareness of Government Efforts on Financing:

Thirty-seven percent of respondents are aware of financial incentives or programs from the government that encourage companies to engage the BOP. Thirty percent of respondents felt that the absence of such policies posed a ‘very’ big or ‘extremely’ big constraint to their business.

Specific programs cited include:

- **Domestic programs**, such as South Africa’s Broad-Based Black Economic Empowerment, Brazil’s FIES and Pro-Uni financing programs for low-income tertiary education students, Colombia’s *Alianzas Productivas* program for private sector agribusiness partnerships, and the Philippines’ income tax holidays for specific projects.
- **Development finance institutions** including IFC, the Netherlands Development Finance Company (FMO), the French development financial institution PROPARCO, the African Development Bank (AFDB) and others that generally offer attractive interest rates for companies in emerging markets. Some domestic institutions, such as a development finance institution in Brazil, also offer BOP-specific credit facilities.
- **Donor programs**, including the United States Agency for International Development’s (USAID) Global Development Alliance program which develops partnerships with companies across sectors; the Japanese International Cooperation Agency’s (JICA) financial support to companies developing inclusive business models; broad sector-based efforts from the UK’s Department for International Development (DFID), European Union, and USAID; Korea’s matching fund programs; and inclusive finance efforts.

<p><i>“This program enabled our company to spread to the [more rural] regions of the country, helping us to further penetrate the [BOP] market.”</i></p> <p>- Survey respondent</p>

The majority of respondents that are aware of financial incentives to engage the BOP found these policies beneficial, although a few believe the programs are too time-consuming, too complicated, or have too many conditions.

Business Initiatives on Financing:

Fifty-six percent of respondents provide some form of financing to the BOP.

Respondents offer a diverse array of financing to the BOP depending on their role in the company’s value chain, including:

- **Credit for smallholder farmers**, including working capital, short-term credit, pre-harvest advances, input financing, purchase agreements, and financing for technical assistance.

- **Loans and operating expenses for distributors and retailers** and providing products on credit. One respondent reported developing a fund to lend to BOP entrepreneurs.
- **Loans to BOP customers**, including student loans, micro-credit programs, and guarantees. Also, lower cost of funds for lending to the BOP.

Recommendations from Businesses on Financing:

Many respondents recommend direct financial support for those at the forefront of the inclusive business movement and broadly request that the government promote access to finance for the BOP. Specific recommendations include:

- **Address the credit needs of the BOP**, including smallholder farmers, and encourage banks to assume smallholders' credit risk and offer simplified credit lines.
- **Offer tax measures or exemptions** to help companies that conduct business with the BOP and to encourage more companies to do so. Respondents also noted that current tax rates can promote informality among micro businesses run by the BOP and can reduce the competitiveness of small businesses.
- **Provide financial support to startups** at the venture stage in order to encourage companies to start inclusive business initiatives.
- **Create cash alternatives** for the BOP by including them in formal banking activities.
- **Increase availability of financing for BOP students** pursuing tertiary or vocational education at private institutions. Establish efficient, long-term student finance programs that would enable institutions to securely accelerate their expansion into regions with more BOP students.
- **Avoid administered pricing** and instead rely on market forces.
- **Facilitate long-term financing**, as it is the main constraint for the BOP to access assets such as housing. Moreover, encourage companies sourcing from smallholder farmers to engage in long-term supply agreements.
- **Develop a BOP fund** that could be implemented by a government or international agency.

V. Capacity

Survey Highlights:

- Fifty-four percent of respondents stated that a lack of skills and/or capacity among the BOP in the company's value chain is a 'very' big or 'extremely' big obstacle for their business.
- Thirty-seven percent of respondents are aware of government efforts to build capacity among the BOP.
- Seventy percent of respondents have their own initiative to increase the capacity of the BOP in their value chain.

Capacity is often lacking within BOP markets, restricting the ability of inclusive businesses to operate and to effectively engage the BOP. Building capacity can require direct on-the-ground support, both at the market level and at company level.⁴ Examples of capacity building efforts include: skills development, vocational training, and other BOP-targeted capacity building programs; development partnerships with donors; inclusive business support centers; and social entrepreneurship incubators.⁵

Obstacles Related to Capacity:

Overall, the capacity and skill level of the BOP was viewed as the second most significant obstacle out of the four areas after financing for the BOP. Fifty-four percent of respondents stated that the lack of skills and/or capacity among the BOP in their value chain is a 'very' big or 'extremely' big obstacle for their business.

Specific comments from respondents regarding skills gaps in various sectors include:

- **Most smallholder farmers** have marginal capacity and lack technology skills.
- **BOP students** arrive at higher education with significant deficiencies in their academic experience. A main challenge is how to fill this academic gap.
- **Recruiting, training, and retaining human resources** is a primary challenge for financial institutions.

Awareness of Government Efforts to Build Capacity:

Thirty-seven percent of respondents are aware of government programs to build the BOP's capacity. Examples of government programs that respondents cited include skills development programs, funds for skills development, awareness raising programs, farmer training, and vocational training programs.

However only 19 percent of respondents believe that these programs have led to any benefits for the business. Specific respondent comments include:

- **Government farmer extension** programs and partnerships with agricultural input companies (such as seed producers) are effective in supporting the BOP and creating benefits for inclusive agribusinesses.
- **The government and donor communities** are acting independently of each other and the private sector is caught in the middle.

⁴ G20 Inclusive Business Framework. Available at: http://g20inclusivebusiness.org/sites/default/files/reference-attachments/G20%2BInclusive%2BBusiness%2BFramework_Final.pdf

⁵ Examples listed were included in the survey questionnaire as reference.

In addition to programs to build the capacity of the BOP, the survey also asked about programs to build the capacity of the business to work with the BOP. Only 17 percent of companies are aware of any government that focused on the latter. Programs cited are implemented through small business agencies, national training institutes for technology, or national development banks.

Business Initiatives to Build Capacity

The survey found that 70 percent of respondent companies initiated their own programs to enhance the capacity of the BOP in their value chains. In some cases, capacity building is built into the mission of the inclusive business, such as with education companies. Respondents referenced efforts to build the capacity of the BOP at various stages of their value chains, including:

- **Providing expert advice to smallholder farmers** to help them meet quality standards and/or achieve farm or production certification so that they can access market channels.
- **Offering regular training to small retailers, dealers, and micro franchises:**
 - Through in-house programs or in collaboration with external partners.
 - By focusing on operational excellence and customer service, marketing, and creating a ‘sales school’ for retailers.
 - By training women specifically on nutrition, financial education, and/or business skills to help them access information, create their own network, and become economically productive entrepreneurs.
- **Establishing training programs for customers**, sometimes in collaboration with retailers. Producing training material and sharing information over mobile phone-based applications.

Recommendations from Businesses on Capacity:

Respondents’ recommendations for policymakers related to capacity include:

- **Provide training for the BOP**, including in technical areas such as farming, as well as business skills such as management and sales.
- **Support business that seek to engage with BOP customers**, especially in the utility sector.
- **Use innovative methods** to disseminate training information widely, such as “e-agriculture.”
- **Assist businesses to measure their impact** on the BOP in their value chain.
- **Build partnerships** to ensure that government, donors, and the private sector are working cohesively when it comes to training the BOP. Similarly, foster an environment where it is acceptable for the private sector to engage the BOP directly and where innovation is encouraged.

Box 2: Capacity Program Cited from Ghana

Ghana’s Skills Development Fund supports technical and vocational education and training activities. Structured as a challenge fund, it provides a demand-driven response to three critical challenges in the Ghanaian market: (i) An inadequately qualified labor force; (ii) The urgency of providing new entrants to the labor market with gainful, employable skills; and (iii) Inadequate access to new technologies and innovations. The fund caters to the skills needs of both the formal and informal sectors of the economy.¹

VI. Information

Survey Highlights:

- Thirty-five percent of respondents found that the lack of information on BOP markets to be a “very” big or “extremely” big obstacle for their operations.
- Twenty-eight percent of respondents are aware of government-sponsored efforts to improve information on BOP markets. The efforts are viewed as beneficial.
- Over half of respondents have created their own initiative to address the lack of information.

Information and awareness are required at all levels of the market, among the BOP as well as within inclusive businesses. Governments and companies can often work together to provide this information and raise awareness.

Examples of information-sharing efforts include: making market data on low-income communities publicly available; publicly-funded research aimed at identifying new inclusive business opportunities and enabling technologies; awards to recognize exemplary inclusive businesses; and consumer awareness campaigns on a given product or service.⁶

Obstacles Related to Information

Thirty-five percent of respondents found that the lack of information on BOP markets to be a “very” big or “extremely” big obstacle for their operations.

Comments related to the respondents’ access to information on the BOP include:

- **There is limited availability of statistics and/or databases** on the BOP that are monitored and updated.
- **The awareness of BOP-focused initiatives is very low.** Many investors are not aware of the topic and many companies are only aware of programs they have worked on directly. Much information remains with the government and nongovernmental organizations.
- **In agribusiness**, there is a broad lack of understanding as to how smallholder farmer groups can provide viable supplier options for buyers.

Awareness of Government Efforts on Information:

Of the four policy areas, respondents are least aware of public initiatives related to sharing information – only 28 percent. However almost all of the 28 percent found these efforts to be beneficial.

Separately, 28 percent of respondents reported that the lack of public initiatives to share BOP information is a ‘very’ or ‘extremely’ big constraint to their business.

Examples of current government to share information that were cited by respondents include:

⁶ Examples listed were included in the survey questionnaire as reference.

- **Global databases and reports**, such as the G20 Global Platform on Inclusive Business, the World Bank's Global Findex database on financial inclusion, and other emerging market research reports and data.
- **Efforts from international organizations**, such as UNDP's Business Call to Action, Inclusive Business Awards from the IFC and G20, and the Asian Development Bank.
- **Country-based information**, such as South African household survey statistics in South Africa, BOP market data in Brazil, and information from the Colombian Department of Social Prosperity and the Colombian National Agency for Overcoming Extreme Poverty. Respondents also cited knowledge-sharing initiatives such as the Partnership for Indonesia Sustainable Agriculture (PISAgro) platform.
- **Company-level support**, such as the Japanese government's support to companies conducting inclusive business feasibility studies and IFC's support to companies to develop internal information databases.

Box 3: Inclusive Business Awards

The G20 Challenge on Inclusive Business Innovation in 2012 recognized businesses with innovative, scalable, and commercially viable ways of working with low-income people in developing countries. Businesses were evaluated based on five criteria critical to the success of an inclusive business: financial sustainability, development results, innovation tactic, potential for growth and replication, and environmental and social sustainability. The 15 winners selected represented five regions and eight sectors.

Through these efforts, respondents reported that they improved their technical skills, expanded their inclusive business networks, learned about best practices, and tracked social and market problems. The Japan-funded feasibility study funding in particular was cited as having had a large impact on the company's ability to work with the BOP.

Business Initiatives on Information:

Over half of all respondents (56 percent) indicate that their company implements its own initiatives to overcome the lack of information on BOP markets. Common business initiatives and strategies include:

- **Conducting surveys** of farmers and customers to gain insight into their motivations, assess their capacities, production requirements, and gain other market and area demand data. Engaging research companies with a strong field presence, if needed.
- **Developing credit scoring models** by analyzing past customer behavior through machine learning algorithms.
- **Establishing internal databases** of farmers, retailers, and relevant nongovernmental organizations, as well as of technical information such as farming productivity and animal and crop quality.
- **Engaging the local community** in order to gain insights.

Recommendations from Businesses on Information:

Specific recommendations from respondents for policymakers include:

- **Showcase examples** of inclusive business models. Partner with a private sector actor that understands the different types of models.
- **Share statistical information** on the needs of the BOP.
- **Format data** so that it is easy for the private sector to use.

VII. Rules and Regulations

Survey Highlights:

- Twenty-eight percent of respondents stated that rules and regulations are ‘very’ or ‘extremely’ big obstacles to their work.
- Where inclusive business-oriented rules and regulations exist, they are not necessarily beneficial to the business.
- Over half of respondents have their own internal rules related to working with the base of the pyramid.

Rules and regulations can define the framework and incentives for inclusive business. Government rules can create the legal basis for action, improve access to markets for BOP populations, and incentivize the special contribution of inclusive businesses.⁷

Business challenges related to rules and regulations are dual-faceted; they stem either from ineffective existing regulation or from a lack of regulation. Examples of rules and regulations that are related to inclusive business include: pro-poor targets in government contracts, such as concessions or public-private partnerships; simplified legal forms for inclusive businesses; and simplified rules to encourage business formalization.⁸

Obstacles Related to Rules and Regulations

Overall, 28 percent of respondents stated that rules and regulations are ‘very’ big or ‘extremely’ big obstacles to their work. Nineteen percent believe that the absence of inclusive business-related rules and regulations are a ‘very’ or ‘extremely’ large hindrance to working with the BOP.

Specific obstacles cited related to existing rules and regulations include:

- **Sudden changes** to existing rules and regulations, including partnerships, can have a large negative impact on the business.
- **Lack of enforcement** of existing regulations.
- **Antiquated laws** that need to be brought into line with global or industry trends.
- **Mandatory requirements** on allocations for the BOP, which can hurt the overall market if low quality products are permitted.
- **Industry specific issues**, such as in agriculture, where farmers are unable to sell their land and where there are subsidies for certain crops, or in telecommunications, where there are price regulations and restrictions on bundling offers.
- **Too much red tape**, including over-regulation, requirements for repeated government approvals, and burdensome reporting requirements. Respondents also highlighted challenges obtaining company permits, staff visas and work permits for foreign investors.

⁷ G20 Inclusive Business Framework. Available at: http://g20inclusivebusiness.org/sites/default/files/reference-attachments/G20%2BInclusive%2BBusiness%2BFramework_Final.pdf

⁸ Examples listed were included in the survey questionnaire as reference.

- **Barriers to trade**, such as import and export restrictions on certain products and high customs duties.

Awareness of Government Efforts on Rules and Regulations

Thirty-seven percent of respondents are aware of rules and regulations that encourage and/or enable business to work with the BOP. Examples include:

- **Sector-based regulations**, such as Bangladesh’s Bank Guidelines on Mobile Financial Services which was cited as having played a key role in kick-starting the mobile financial services industry in the country. Also cited was the Industry Development Law in Korea for smallholder distributors, farmers, and SMEs, Thailand’s social enterprise bill, and a Philippines’ housing program that targets formally-employed BOP customers.
- **Broad-based programs**, such as public private partnership contracts, state-level subsidy programs, South Africa’s Broad-Based Black Economic Empowerment program, and the Philippines’ efforts on the Millennium Development Goals.
- **Sector specific efforts**, such as issuing title documents to BOP customers.

Box 4: Defined Guidelines

In 2010, the Bangladeshi government began to develop regulations that would provide a framework for the mobile financial services industry which provides affordable access to financial services to the poor and unbanked. The defined set of guidelines was cited as a key factor that enabled companies to begin engaging the BOP market.

However, less than 10 percent believe that the rules are ‘very’ or ‘extremely’ instrumental in encouraging or helping their company to reach the BOP. Some explained that regulations are not the driver behind why they work with the BOP. Others stated that the rules do not actually respond to the BOP’s needs and that unexpected changes to laws had hurt their business.

Business Initiatives on Rules and Regulations

Sixty-one percent of respondents indicated that they had established or applied rules within their organizations related to working with the BOP. In some cases, the entire business is focused on serving the BOP. Specific rules that were cited include:

- **Implementing sustainability standards** and certifications established by global industry associations.
- **Establishing and implementing an impact measurement framework** that uses financial and non-financial indicators to quantify social, environmental and financial results.
- **Local supplier requirements and other internal policies**, established internally by the company, that establish targets to engage BOP customers, retailers, and other stakeholders. In some cases, implementing policies that require companies to purchase exclusively from smallholder farmers or to meet certain coverage targets for BOP utility customers.
- **Mission statements and/or business units** that focus on working with the BOP, including smallholder farmers and people that are unbanked. One respondent cited their specific approach to inclusive business that focuses on the 4A’s: *Affordability, Availability, Applicability, and Affinity*, while another cited their three-pronged approach to working with the BOP: *It must be business-related, engage employees, and be sustainable*.
- **Credit scoring techniques** that are specifically designed for the BOP and for MSMEs.

- **Sharing equity** with smallholder farmers organized in cooperatives.

Third parties, such as IFC, Utz Quality Foods, and the Rainforest Alliance, were also cited as having an influential role in establishing rules and standards that have created a common language in the area of agriculture.

Recommendations from Businesses on Rules and Regulations:

- **Develop policy** that is reflective of inclusive businesses' unique challenges and cost structures. Explore sector-specific policies in areas such as housing and agriculture to improve productivity.
- **Maintain existing** policies that effectively focus on the BOP, refrain from making large, unexpected changes that prevent companies from making long-term plans, and uphold the sanctity of contracts. Reexamine policies to see if very small changes could have big impact and encourage growth of the entire sector.
- **Focus on rewarding** companies that work with the BOP successfully, rather than forcing companies to do so.
- **Collaborate with a variety of stakeholders** when developing regulations, including the private sector and the donor community.
- **Create a legal framework** that is specific to social enterprise initiatives.
- **Ensure clarity** of existing rules so that they are easy for business to understand and follow. Allow for flexibility.

VIII. Conclusion

Doing business with the BOP is not always easy and the obstacles that inclusive businesses face can be persistent. Some obstacles are at the firm-level, others are faced BOP market wide. Some are due to a lack of policy, others are due to policies that are not effective. Yet despite these challenges, inclusive businesses are already actively engaging with the BOP. These innovative companies are overcoming obstacles by creating their own programs and by adapting their business models.

By bringing these obstacles to light and by crowdsourcing policy recommendations, the aim is to facilitate more inclusive business and to make it easier for those that are already engaging the BOP in their value chains. Policymakers and researchers can use this insight as background as they evaluate their policies, develop new strategies, and dive deeper into researching policy for inclusive business.

Annex 1: List of Countries

In order to comment on their interaction with government agencies and knowledge of government policies which are often country specific, respondents were asked to base their responses on the country in which they had the most business with the base of the pyramid. The countries selected are listed below.

- Argentina
- Armenia
- Bangladesh
- Brazil
- Canada
- Colombia
- Ecuador
- Egypt
- Ethiopia
- Ghana
- India
- Indonesia
- Kenya
- Korea
- Mexico
- Nigeria
- Peru
- Philippines
- Portugal
- Rwanda
- South Africa
- Sri Lanka
- Sweden
- Switzerland
- Tanzania
- Thailand
- The Republic of Uganda
- United Kingdom
- United States
- Vietnam
- Zimbabwe

Annex 2: List of Government Agencies

In order to help bridge the gap between policymakers and inclusive businesses, the survey asked about how respondents currently interact with government. Specific government agencies cited by respondents are listed below.

Brazil	<ul style="list-style-type: none"> • Government of Acre • Ministry of Education • Social Services for Industry • National Service for Industrial Training (SENAI)
Bangladesh	<ul style="list-style-type: none"> • Bangladesh Bank (Central bank) • Department of Agricultural Extension • Ministry of Agriculture
Canada	<ul style="list-style-type: none"> • Ontario Ministry of Economic Development
Colombia	<ul style="list-style-type: none"> • Colombian Agency for Reintegration (ACR) • Department of Social Prosperity (DPS) • Fondo Innpulsa • Ministry of National Education • National Agency for Overcoming Extreme Poverty (ANSPE) • National Service of Learning (SENA) • Unit for Comprehensive Care and Reparation for Victims (UARIV)
Egypt	<ul style="list-style-type: none"> • Cairo Governate
India	<ul style="list-style-type: none"> • Skill India • Ministry of Micro, Small and Medium Enterprises
Japan	<ul style="list-style-type: none"> • Japan International Cooperation Agency • Japan External Trade Organization • Ministry of Economy, Trade and Industry • Ministry of Foreign Affairs
Kenya	<ul style="list-style-type: none"> • Ministry of Agriculture Livestock & Fisheries • Ministry of Energy and Petroleum • Ministry of Industry, Trade and Cooperatives
Mexico	<ul style="list-style-type: none"> • Ministry of Agrarian, Territorial and Urban Development (SEDATU)
Nigeria	<ul style="list-style-type: none"> • Federal Ministry of Agriculture and Rural Development
Philippines	<ul style="list-style-type: none"> • Board of Investments • Local governments of Quezon City, Malabon, and Bacoor City • Metropolitan Waterworks and Sewerage System
South Africa	<ul style="list-style-type: none"> • Development Bank of South Africa
Sri Lanka	<ul style="list-style-type: none"> • Ministry of Environment and Renewable Energy • Department of Forest Conservation
Thailand	<ul style="list-style-type: none"> • Thai Social Enterprise Office
United States	<ul style="list-style-type: none"> • United States Treasury Community Development Finance Institutions Fund • Small Business Administration • New Market Exchange, Michigan

Vietnam	<ul style="list-style-type: none">• Ministry of Agriculture and Rural Development• Ministry of Planning and Investment• Ministry of Science and Technology• Department of Science and Technology of Hai Phong province• Vietnam Trade Promotion Agency (VIETRADE)
Zimbabwe	<ul style="list-style-type: none">• Ministry of Agriculture, Mechanisation and Irrigation Development

Annex 3: List of Other Institutions

Inclusive business respondents engage with a variety of organizations on the topic of inclusive business. Organizations cited by respondents as advocates for inclusive business or that are otherwise supportive of inclusive business are listed below.

- Accion Center for Financial Inclusion
- Asian Development Bank
- Aspen Network of Development Entrepreneurs
- Bangladesh Seed Association
- Bangladesh University
- Bertha Centre for Social Innovation, University of Cape Town
- Big Society Capital
- BRAC Bank
- Business Call to Action
- Business for Development
- Center for Community Transformation, Philippines
- Center for Social Entrepreneurship Development (Spark), Vietnam
- Coalition for Inclusive Capitalism
- Colombian Association of Milk Processors (ASOLECHE)
- Colombian Association of Ranchers (FEDEGAN)
- Common Fund for Commodities
- Community Development Finance Institutions
- Confederation of India Industry
- East African Tea Trade Association
- Fundación Mario Santo Domingo
- G8 Social Impact Investment Task Force (now the Global Social Impact Investment Steering Group)
- Gates Foundation
- Global Impact Investing Network
- GOAL Global
- IDH Sustainable Trade
- International Finance Corporation
- Opportunity Finance Network
- Organization of Socialized & Economic Housing Developers of the Philippines
- Netherlands Development Finance Company (FMO)
- Partnership for Indonesia's Sustainable Agriculture (PISAgro), Indonesia
- Philippine Business for Social Progress
- Private Enterprise Foundation, Ghana
- PROPARCO, France
- Rainforest Alliance
- Reconciliación Colombia
- Sistema B
- Small Enterprise Finance Agency, South Africa
- Sustainable Development Solutions Network
- Toronto Region Immigrant Employment Council, Canada

- Unilever
- United Nations Industrial Development Organization
- United Nations Development Program
- Utz Quality Foods
- World Economic Forum