

Country Case Studies on Inclusive Business

Policymakers have expressed interest in learning from peers that have already begun to support inclusive business. To support this request for knowledge-sharing, the G20 Global Platform on Inclusive Business developed a series of short pieces that examine the motivations, institutional coordination mechanisms, priorities and challenges that countries face as they support inclusive business.¹

Germany

Inclusive business has increasingly become a focus area within Germany's development policy. Germany has been active on multiple fronts, including knowledge generation and awareness-raising, multi-stakeholder coordination, ecosystem support and developing policy frameworks at a variety of levels. From co-organizing the G20 Challenge on Inclusive Business Innovation in 2011, to providing technical support to governments and intermediary organizations, to sponsoring a variety of reports on inclusive business and cooperating with the private sector, BMZ--Germany's Development Cooperation--has taken on a leading role in the study and promotion of the inclusive business model.

Box 1: Stakeholder Coordination – A Key to Success

For inclusive business, a wide range of actors have important roles to play. Actors include multinational corporations, small and medium enterprises and entrepreneurs both from developing and developed countries, governments, development partners, investors, local banks, incubators, accelerators, think tanks, universities, chambers of commerce, networks, nongovernmental organizations, etc. Inclusive businesses are aware of the importance of partnerships with these actors for the success of their business ventures. And the same is true for development partners; partnerships and stakeholder coordination is a key to success in programs targeted at inclusive business. As inclusive business is a relatively new topic, development partners and governments can be most efficient and best contribute to long-lasting change when they work together with other stakeholders. Working in silos should be avoided, as inclusive businesses need functioning ecosystems where many actors and factors interact. Learning with and from others including across different sectors is extremely important.

Institutional Set-up

BMZ (Federal Ministry for Economic Cooperation and Development)

The Federal Ministry for Economic Cooperation and Development (BMZ) is responsible for devising the strategies for Germany's development policy. While BMZ has long-supported projects focusing on poverty alleviation in its economic development programs, beginning in 2008 it started to advance the international conversation specific to inclusive business models. BMZ has since taken up a wide range of

¹ This document has been prepared by the International Finance Corporation, a member of the World Bank Group, for the G20 Global Platform on Inclusive Business.

initiatives specific to including the base of the pyramid into companies' core business models. These initiatives range from work on the policy level, to financing inclusive business models, to coordinating stakeholders and building capacities. GIZ and KfW Development Bank (described below) are the main implementing partners for Germany's technical and financial assistance projects respectively.

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), a government-owned public-benefit enterprise, is often commissioned by BMZ to implement technical assistance projects pertaining to inclusive business. For example, GIZ provides support to intermediary organizations such as incubators and engages in development partnerships with businesses implementing inclusive business models. GIZ also provides policy advice to partner governments.

KfW Development Bank

As Germany's development bank, KfW's overarching goal is to promote sustainable, pro-poor financial systems. Key areas for KfW include: microfinance, agricultural finance (including finance provision along the value chain), housing finance, and microinsurance. Further, KfW supports small and medium size social enterprises by providing equity finance and grants for technical assistance to social venture funds for social entrepreneurs. These funds invest in early stage enterprises operating in high-risk geographies.

Aavishkaar, for example, a venture fund designed to serve low-income markets in India, other countries in South Asia, and Southeast Asia, includes Germany among its investors (See Box 2).

Box 2: Aavishkaar Frontier Fund

The Aavishkaar Frontier Fund is an equity fund which invests in early to growth stage social enterprises in Bangladesh, Sri Lanka, Indonesia and Pakistan, whose business models focus on improving the livelihoods of low-income people. The investees' business models (a) enhance the supply of goods and services adapted to the low-income population, or (b) improve low-income people's integration into (often agricultural) value chains or create employment or income-generating opportunities for them.

Aavishkaar also operates a technical assistance facility which is geared at supporting investee companies with specific strategic and management matters, as well as enhancing impact assessment and dissemination of best practices.

DEG

DEG is the German development finance institution. With developmental inclusion at its core, DEG's work rests on three pillars: 1) development finance; 2) robust environmental and social due diligence and monitoring and; 3) technical assistance and

services. DEG aims to improve livelihoods at the base of the pyramid by supporting access to employment and safe and fair working conditions in the value chains of its partners, and by offering a series of subsidy schemes. These efforts make a major contribution towards fulfilling DEG's development mandate and supporting inclusive business models. In these instances, funds of public donors (such as BMZ through its develoPPP program, see Box 3) and financial reserves from DEG are combined. For example, through its Up-Scaling program, DEG aims to scale innovative business models with high development impact by

financing investments in early stage small and medium enterprises. Together with KfW, DEG also invested in the Aavishkaar Frontier Fund.

Coordinating Stakeholders

In its efforts to engage the base of the pyramid and develop inclusive businesses, BMZ has intensified dialogue and cooperation with the private sector and other stakeholders, thereby encouraging companies to invest and increasing information-sharing with the business community. Specific coordination mechanisms include the following:

Inclusive Business Action Network (IBAN)

Initiated by BMZ in 2014, IBAN acts as a facilitator and gateway to the global inclusive business community. Together with its wide range of partners – from multilateral organizations to civil society - IBAN fosters the growth and scale of inclusive business. The network compiles and creates information and knowledge on sectors, regions, and topics, such as studies, guidelines, and market research. This knowledge is made easily accessible on a global Inclusive Business Website and gives orientation to stakeholders in the ecosystem.

To address the challenges inclusive businesses face when growing or scaling, IBAN offers, together with its partners, dedicated online and offline learning formats as well as match-making events. One example is the well-established Base of the Pyramid Sector Dialogue. These sector-specific dialogues provide companies with the opportunity to exchange and reflect on their business models and to jointly develop solutions for their challenges. IBAN has successfully implemented the dialogues for various sectors such as health, energy and housing in different regions. In addition, IBAN links businesses to potential partners through its cooperation with network partners and local organizations.

Lastly, IBAN supports policy dialogue on inclusive business on the global level by facilitating round table discussions within Europe and by coordinating with the G20 Global Platform on Inclusive Business.

Responsible and Inclusive Business Hubs (RIBHs)

Initiated in 2014 by BMZ and established by GIZ, the Responsible and Inclusive Business Hubs (RIBHs) are a global network with locations in Cairo, Egypt; Jakarta, Indonesia; and Pretoria, South Africa. These hubs act as local change agents and advise companies and start-ups on how to design and implement their business models in a sustainable and inclusive manner. With their regional presence, expertise, and established networks and partner structures in the MENA region, Southern Africa (SADC) and Southeast Asia, they not only advise and develop contacts between local and international businesses, but they also serve as point of contacts for regional actors and intermediaries.

Box 3: DeveloPPP.de program

The DeveloPPP.de program was started in 1999 to build development partnerships. These partnerships provide companies investing in developing countries with financial and, if required, technical support. All projects must be in line with German development policy guidelines, demonstrate a clear development outcome, and be both environmentally and socially compatible. Companies contribute 50% of the funding for each partnership. Over 1,700 partnerships have been initiated since 1999. Many of these partnerships have been directed at economic and environmental reform efforts.



Capacity Development

Bilateral cooperation programs

The German Development Cooperation implements over 30 projects that have a focus on private sector development. While these projects are particularly relevant for the development of inclusive business support programs in the portfolio, other sector programs including in agriculture, health, energy or information and communications technologies are also increasingly focusing on leveraging the potential of inclusive business. Inclusive business is often part of such programs without being the sole focus. Activities to foster inclusive business specifically include, among others, policy advice to draft a national strategy on inclusive business, supporting incubator managers to set up dedicated support programs, carrying out startup boot camps and helping entrepreneurs gain access to finance.²

This case study is available at www.g20inclusivebusiness.org.

August 2016

² For further information and project examples, please consult the following publication: BMZ (2016), Inclusive Business Toolbox, available at <http://www2.giz.de/wbf/lred/library/detail.asp?number=12866>