

Inclusive Business Landscaping Series

Colombia



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Preface

This report was written by Jenny Melo and Teresa Magdalena in January 2015 for the Inclusive Business Action Network (IBAN) to identify and describe the inclusive business landscape of Colombia. Originally it was part of a study that covered both Colombia and Mexico. This report is part of a series of several country studies that IBAN published in order to share the findings. The series is edited by Ashley Insight.

This study is part of an 'Inclusive Business Landscaping Series' published by the Inclusive Business Action Network.

The objective of the series is to identify and describe the inclusive business landscapes and explore the potential for further inclusive business growth in selected developing countries.

You can find more publications on inclusive business on www.searchinclusivebusiness.org.

The Inclusive Business Action Network (IBAN) is a multi-stakeholder network promoting inclusive business globally and supporting the scale and replication of inclusive business models. IBAN 'connects the dots' between the vast number of businesses, existing initiatives, networks, investors and other actors from the global inclusive business community. To enable successful business models and partnerships, IBAN creates and shares market insights as well as best practices and brings together relevant parties by offering peer-learning, networking and information spaces.

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Table of contents

Preface	2
Executive summary	6
1. Introduction	8
1.1. Objectives of this report	8
1.2. Research methodology	9
2. Country context	11
2.1. Socio-economic environment	12
2.2. Business environment	14
2.3. Policy and regulatory environment	14
3. Emergence of inclusive business in Colombia	17
4. Existing inclusive business models	21
4.1. Inclusive business models	22
4.2. Overview of case studies and corporate motivations	29
4.3. Agriculture	31
4.4. Environmental services	36
4.5. Recycling	36
4.6. Financial services	37
4.7. Education and skills	38
4.8. Energy	38
4.9. Construction	39
5. The inclusive business support ecosystem	41
6. Conclusion	47
6.1. The state of the inclusive business landscape in Colombia	47
6.2. Recommendations for a stronger inclusive business sector	48
Appendices	51
Acknowledgements	55
Bibliography	56

Figures, tables and case studies

Figure 1:	What is inclusive business?	8
Figure 2:	Map of Colombia	11
Figure 3:	Events of armed violence actors (organised and common crime)	13
Figure 4:	Iconography for inclusive business models	22
Figure 5:	Supplier model	23
Figure 6:	Multiple supplier model	24
Figure 7:	Distributor model	25
Figure 8:	Client/consumer model	26
Figure 9:	Partner model	27
Figure 10:	Hybrid models	28
Figure 11:	Case studies of inclusive business in Colombia	29
Figure 12:	Companies engaging the BoP as suppliers in agriculture	32
Figure 13:	Multiple companies engaging the BoP as suppliers in agriculture	34
Figure 14:	Companies engaging the BoP as distributors in agriculture	34
Figure 15:	Companies engaging the BoP as consumers in agriculture	35
Figure 16:	Companies engaging the BoP as partners in agriculture	35
Figure 17:	Companies engaging the BoP as suppliers in environmental services	36
Figure 18:	Companies engaging the BoP as consumers in financial services	36
Figure 19:	Companies engaging the BoP as consumers in financial services	37
Figure 20:	Companies engaging the BoP as consumers in the education sector	38
Figure 21:	Companies engaging the BoP as consumers in the energy sector	39
Figure 22:	Companies engaging the BoP as consumers in construction	39
Figure 23:	Analysis framework for the inclusive business ecosystem	41
Figure 24:	The inclusive business ecosystem in Colombia	44
Table 1:	2014 country statistics	12
Table 2:	Timeline of developments relevant to inclusive business in Colombia	17
Table 3:	Conditions for inclusive business in a supplier model	24
Table 4:	Conditions for inclusive business in a distributor model	25
Table 5:	Conditions for inclusive business in a client/consumer model	26
Table 6:	Conditions for inclusive business in a partner model	28
Table 7:	Inclusive businesses in Colombia by BoP interaction	28
Case Study 1:	The Oro Verde Story – an unviable model	19
Case Study 2:	Grupo Nutresa working engaging the BoP as suppliers	33
Case Study 3:	Alpina, linking milk suppliers	33
Case Study 4:	The Holcim Story, supporting milk producers across Colombia	35
Case Study 5:	Promigas Brilla Programme, providing credit to the BoP	37

Acronyms

ANDI	National Business Association of Colombia
ANSPE	National Agency for Overcoming Extreme Poverty
CECODES	Colombian Business Council for Sustainable Development
CESEPEDES	Commission for Private Sector Studies on Sustainable Development
CONEVAL	National Council for the Evaluation of Social Development Policy
CONNIC	National Inclusive Business Council of Colombia
ECLAC	Economic Commission for Latin America and the Caribbean
FEDEPALMA	National Federation of Palm Oil Producers
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
IB	Inclusive Business
IBAN	Inclusive Business Action Network
IDB	Inter-American Development Bank
INEGI	National Institute of Statistics, Geography and Information Technology
LIS	Low Income Sectors
MIF	Multilateral Investment Fund
PESA	Strategic Food Security Project
SAGARPA	Ministry of Agriculture, Grazing, Rural Development, Fishing and Food
SE	Ministry of the Economy
SEDATU	Ministry of Agrarian, Territorial and Urban Development
SEDESOL	Ministry of Social Development
SEKN	Social Enterprise Knowledge Network
SEP	Ministry of Public Education
SHCP	Ministry of the Treasury and Public Credit SNV SNV Netherlands Development Organisation
UNDP	United Nations Development Programme
WBCSD	World Business Council for Sustainable Development

Executive summary

Colombia is an upper middle income country of 48.9 million people but after decades of civil war it is still faced with high levels of poverty, government corruption and insecurity. The armed conflict has exacerbated poverty. The role of companies and inclusive business is being developed within this setting. The particular challenge is how to increase the living standards of vulnerable populations as well as addressing the greatest deprivations in employment, education, access to services and overcrowding in housing. This paper asks how these factors are associated with market inefficiencies and how they can be addressed by inclusive business models.

This report is based on secondary research and a series of interviews carried out in 2014 with public, private and academic institutions. It covers all three levels at which work is done: specific inclusive business cases, sectors, and the ecosystem that supports inclusive business. It shows that although there is support for inclusive business in government, the private and third sectors, there are actually very few examples of inclusive business in Colombia: only 36 are identified, a small number compared to the volume of discussion around the topic.

Colombia is increasingly an attractive proposition for businesses. It is now ranked as the easiest country to do business in Latin America and the Caribbean according to the World Bank's Ease of Doing Business indicators, following a series of reforms implemented since 2005 aimed at removing obstacles for local entrepreneurs. There is evident interest in participation by the private sector in the fight against poverty, as seen by the establishment of the National Inclusive Business Council, a part of the Colombian Business Council for Sustainable Development¹, which promotes the sector through their National Strategy on Inclusive Business.

Although initiatives associated with the movement toward inclusive business in Latin America have been around since 2006, information is scarce on the content and achievement of inclusive business

ventures. There are many different inclusive business models in use including supplier development, productive partnerships or shared value creation. They emerge from different perspectives, including inclusive territorial development, corporate social responsibility, or through work of corporate foundations. This variety of terms means that it is not always easy to identify cases where the logic of inclusive business is in operation.

Inclusive business can be promoted by different kinds of actors, although discussion in Colombia has tended to focus on large corporations. Corporations such as Pepsico, Grupo Nutresa and Alpina work with local suppliers in the agricultural sector, and Promigas and Bancolombia are providing financial products in the non-banking. It is only recently that the potential of small and medium enterprise has begun to be considered for this kind of business, and special efforts are being undertaken to motivate them to develop inclusive business. Out of the 36 cases found in this report 18 came from large companies.

In the majority of cases, low-income communities play the role of supplier or client. Cases such as Grupo Argos, Postobon and Coltabaco working in the agricultural sector begin to show new patterns in the way inclusive business is done. In these "hybrid models," the initiative for doing business does not come from private enterprise, but rather from processes of open innovation that identify social and environmental problems that can be solved using inclusive business models, and which invite companies to become involved as strategic partners. These cases show that it is possible to build models that alter traditional power relationships and that add innovation and complexity to interactions.

The evidence from the case studies collected in this document shows that some of the reasons why companies start inclusive businesses vary greatly but that they rarely signal proactive measures to increase potential social impact, but rather a reactive response to situations affecting the company.

¹ which itself is a member of the World Business Council for Sustainable Development (WBCSD),

There is a developed ecosystem in Colombia, with a range of actors from government, the private sector and NGOs, each with a multiplicity of roles. There is a high concentration of actors playing the role of promoter – however, the quality and depth of this promotion must be questioned. There is also an excess of uncritical perspectives that merely broadcast the concept, showing only one side of the story, that offered by corporations. A wider range of voices must be given access to the means to tell their stories of inclusive business, foremost among them the fundamental partners, low-income communities. Academia could also fulfil this role, as they currently only play a minor role in the ecosystem.

Finally the study generates the following recommendations for the growth of inclusive business in Colombia.

- Experience and best practice from existing actors such as CECODES, CBIDF HUB and Minka-Dev should be shared across the sector.
- The inclusive business agenda needs to be developed side by side with the government's vision for a post-conflict Colombia.
- Agendas for each sector within the Colombian economy should be developed to connect the country's productive targets with inclusive business and poverty reduction targets.



1. Introduction

Colombia's political, social and economic context of long term armed conflict, inequality and diverse geography have led to unique conditions for inclusive business to develop. As such, the particular challenge is to use inclusive business as an instrument for the inclusion of vulnerable populations, which will include victims of violence, as well as ex-combatants.

In the face of the widespread social phenomenon of poverty, and the limited success of traditional methods for its eradication, recent years have seen the consolidation of a market-based approach in which business plays a key role. Poverty in Latin America is, as stated by ECLAC, "a structural phenomenon characteristic of Latin American reality." Despite progress made over the last decade, the magnitude and persistence of poverty in the region has placed it at the centre of social policy priorities.

Inclusive business is starting to be seen as a way of addressing these problems. Public social policy is beginning to address the issue, through the recently-established Department for Private Social Investment within the institution responsible for carrying out the strategy for overcoming poverty. This report explores this rise of inclusive business throughout Colombia – in its policy, institutions and businesses.

The purpose of inclusive business is to contribute to overcoming poverty and improving the living conditions of poor, vulnerable and marginalised communities. The challenge goes beyond simply including poor people in value chains. Inclusive business requires a broad perspective on poverty, and in particular an understanding of how it is associated with market inefficiencies. Achieving the purpose also implies a concern for human dignity and for broadening processes of participation. The mechanisms for doing this are: access to products and services related to basic needs, and access to opportunities for income generation through participation in value chains.

1.1. Objectives of this report

This report maps the developing inclusive business landscape in Colombia. The main objectives of the report are to:

- Briefly describe the socio-economic and political context in Colombia to understand the framework within which inclusive business has to operate;
- Identify and map companies in Colombia with inclusive business models (IBMs) in order to better understand the different types of companies, the differences in IBMs across sectors, and the nature of their business models;
- Identify and map organisations/intermediaries that support the inclusive business environment in Colombia to understand the nature of this support, the services offered, and the role played in encouraging inclusive businesses.

Figure 1:

What is inclusive business?

"Inclusive business models are commercially viable and replicable business models that include low-income consumers, retailers, suppliers, or distributors in core operations. By adopting the models, companies build the capacity of low-income businesses and entrepreneurs; increase access to finance for businesses and consumers; create or adapt products to meet local needs and requirements; and develop innovative distribution approaches to hard-to-reach communities. Far from philanthropy-driven, these business models can be part of a successful long-term growth strategy that creates new market-based opportunities, eliminates market inefficiencies, solidifies supply chains, and builds future brand loyalty (IFC, 2014)."²

For a discussion of other definitions of inclusive business see Appendix 1.

² Cf. International Finance Corporation: "Inclusive Business at the IFC". http://www.ifc.org/wps/wcm/connect/f669250043e7497caa4aba869243d457/Inclusive+Business+Models+Group_Fact+Sheet_External.pdf?MOD=AJPERES, accessed 16 July 2015

1.2. Research methodology

This document is the result of a consultancy carried out for GIZ Mexico, the purpose of which was to identify the status of inclusive businesses and their supporting ecosystems in Colombia and Mexico. The document was put together based on a review of secondary information and of 20 semi-structured interviews with relevant actors in both countries. A complete list of interviewees can be found in the acknowledgements section. The elements of methodological strategy used to identify cases and the inclusive business ecosystem are described below.

Identification of cases

A variety of activities were used to identify cases:

- review of national and international publications by business associations, multilateral organisations and the academia;
- review of cases that have received international recognition for their inclusive business model;
- review of websites specialising in topics related to inclusive business, social responsibility and creating shared value.

The inclusive business cases identified correspond to cases that have been documented at some level and for which public information is available. The list of cases is not exhaustive. Cases include initiatives led by social enterprises, as they have developed viable business models that meet the needs of low-income communities. This report shows that in Colombia most inclusive business is promoted by large corporations. Analysis of 36 inclusive business examples indicates that most cases engage local communities in the role of suppliers (61 per cent) and clients (33 per cent) in agribusiness and food (56 per cent), with a lesser presence in financial inclusion (11 per cent).

Identification of the ecosystem

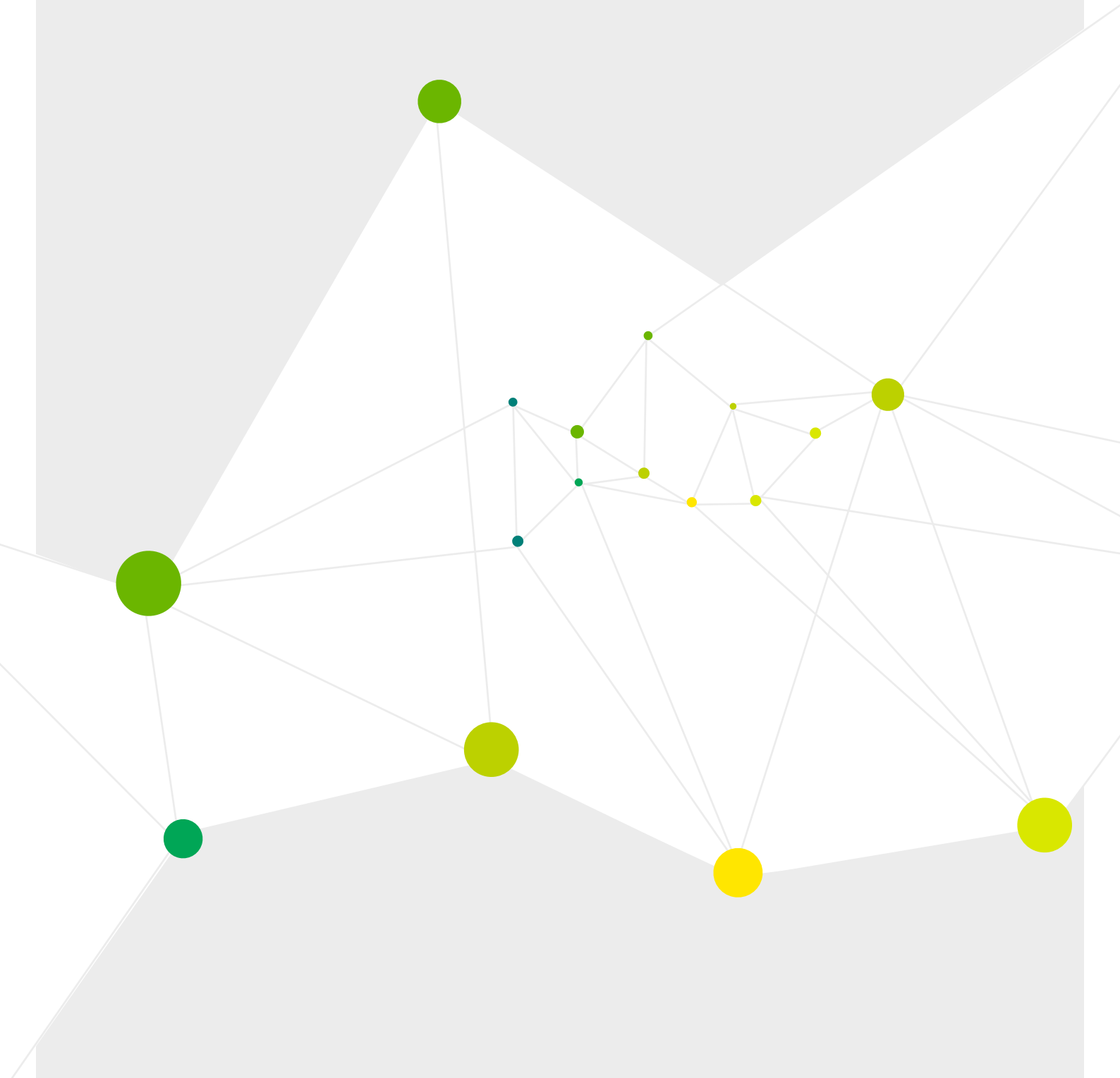
To build a framework of analysis for inclusive business ecosystems, a specialised bibliography was used in the construction of the concept and its scope. Used in conjunction with notes and reflections taken from interviews, this enabled the design of the ecosystem analysis framework used in this document. For a detailed discussion of other frameworks for understanding inclusive business ecosystems see **Appendix 3**.

This model incorporates the identification of actors and their degrees of involvement with the processes required by the ecosystem. Actors were identified using the information obtained from case studies, from the information on their institutional websites and from a media review of information related to inclusive business. The assessment of the degree of each actor's involvement in ecosystem processes was made qualitatively based on information from institutional websites and the authors' prior knowledge of the history of these organisations.

The research showed that both Colombia and Mexico have the same gaps in their inclusive business ecosystems and face similar challenges in addressing factors that are preventing inclusive business from thriving. Throughout this report the authors have pointed out where conclusions apply to both countries surveyed.



Country context



2. Country context

Figure 2:
Map of Colombia



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 27

2.1. Socio-economic environment

Colombia is a country in transition. In the past decade its economy has benefited from a petrochemical boom and business reforms as well as hopes that decades of armed conflict may soon come to an end. However the conflict has left a scar on the country with rural poverty at 45.9 per cent and high levels of corruption at all levels of government.

Today, the fight against poverty is a priority issue on the public agenda in Colombia. One indicator of this is the consolidation of agencies such as the Department of Social Prosperity (DPS) which has as an integral part of its mission to “create conditions of prosperity among the vulnerable population,” the National Agency for Overcoming Poverty – ANSPE – and the national strategy network, Unidos.

Based on the Multidimensional Poverty Index⁴ that measures poverty based on the deprivation levels of five dimensions, 24.8 per cent of the population is poor, 18.5 per cent of the urban population is poor and 45.9 per cent of the rural population is poor.

According to the indicators of the Multidimensional Poverty Index, the main deprivations faced by poor communities in Colombia are related to the areas of employment (informal work and unemployment), education (low school performance and low educational attainment), access to services (such as water, health insurance), and overcrowding in homes.

Colombia has a long history of armed conflict that has affected the country’s social, economic, political and environmental spheres. The social impact

Population:
Size → 47,8 million
Growth → 0.9% p.a.
GDP:
Annual → 377.7bn US\$
Growth rate → 4.6% p.a. (constant local currency)
Per capita → 7,970 US\$
Income level → Upper middle income
Unemployment: (modelled ILO estimate)
Total population → 10.5%
Youth → 20.5%
Gini Coefficient → 53.5
Poverty headcount ratio at national poverty lines → 30.6% (2013)

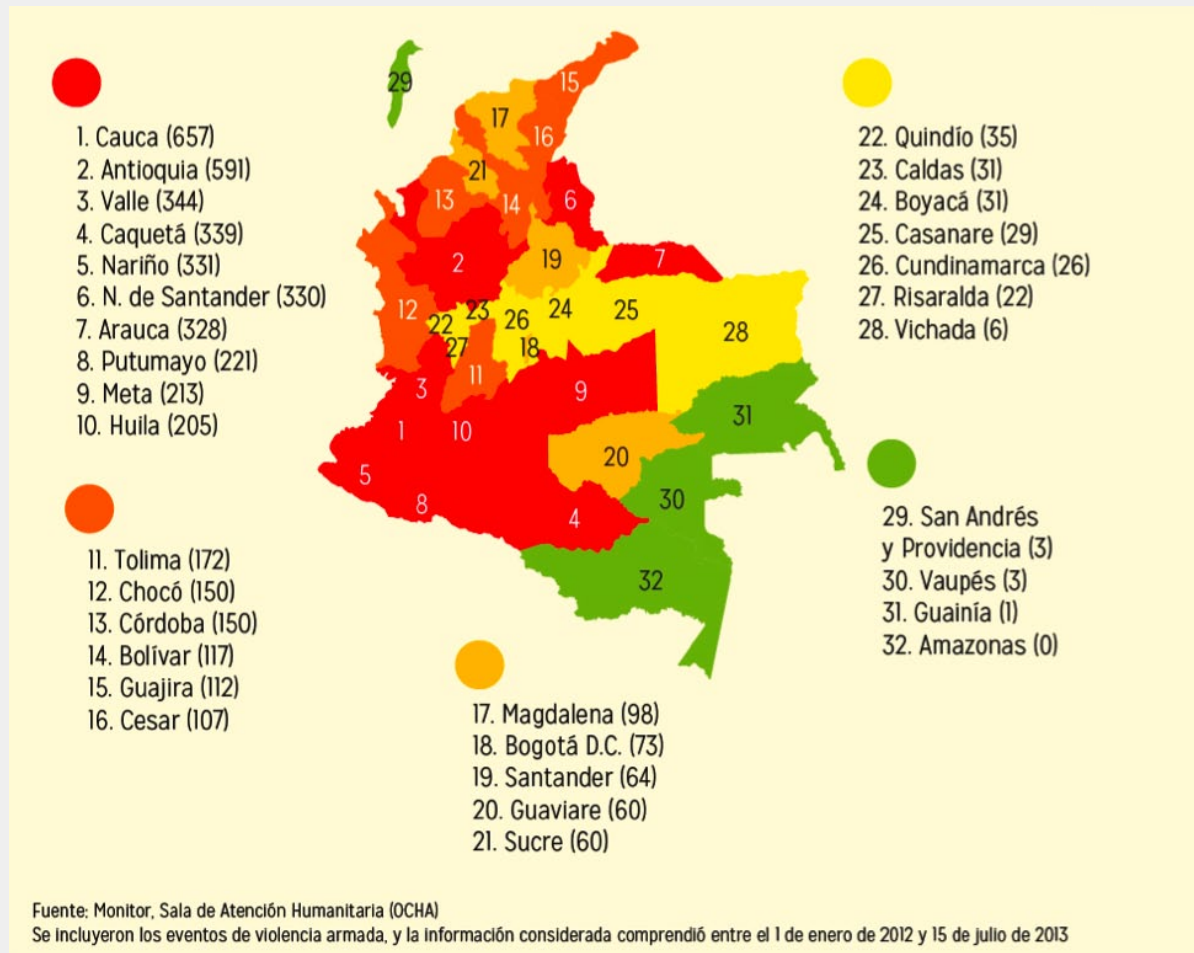
is stark, with the number of recorded victims of armed conflict reaching six million people at the beginning of 2014. This figure mostly includes victims of forced displacement, but also thousands of others who have suffered other kinds of war crimes (threats, loss of property, disappearances, kidnapping, acts of terrorism, homicide, anti-personnel mines, torture and forced recruitment of children). These acts of violence are also concentrated in areas with the highest levels of poverty. Peace talks to end the armed conflict were started in 2012 and are still ongoing.

³ Cf. The World Bank: World Data Bank. World Development Indicators. Colombia, <http://databank.worldbank.org/data/reports.aspx?source=2&country=COL&series=&period=>, accessed 16 July 2015

⁴ Traditionally, poverty has been measured in Colombia using monetary income (poverty line and extreme poverty line), however, since 2012, Colombia has also had an indicator to calculate poverty based on deprivation in dimensions related to the quality of life (Multidimensional Poverty Index – IPM). The IPM reflects the degree of deprivation using a set of five dimensions: educational climate at home, conditions for children and youth, health, occupation, access to public home-based services and housing conditions. These 5 dimensions involve 15 indicators, obtained using the National Quality of Life Survey. According to the IPM, a person is living in poverty if he or she is deprived of at least 5 of the selected variables (33 per cent of total deprivations).

Figure 3:

Events of armed violence actors (organised and common crime)



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 31

2.2. Business environment

Since 2005 Colombia has implemented 29 reforms aimed at removing obstacles for local entrepreneurs. It is now ranked the easiest country to do business in Latin America and the Caribbean according to the World Bank's Ease of Doing Business indicators.⁷ The World Economic Forum stated that although the country is eighth most competitive in Latin America due to improvements in the areas of macroeconomic and market size, it is still lacking in the areas of decent infrastructure, government efficiency, judicial independence, government corruption and security.⁸

2.3. Policy and regulatory environment

In spite of the openness of public programmes in Colombia, business development policy is disconnected from social policy. This means that the direct connection between the development of business models aimed at poor communities and processes of innovation and competitiveness is not presented clearly or visibly.

Currently, Colombia does not have a specific regulatory framework for promoting inclusive business, although there are programmes seeking to promote the logic of inclusive business within certain public institutions. The National Agency for Overcoming Extreme Poverty (ANSPE)'s Division of Private Social Investment is the only institution directly discussing and promoting the concept, which is discussed on the following page.

Business development policy

Below is a list of some public institutions and their projects which affect business development and have potential to form part of the inclusive business ecosystem.

- INNPulsa Colombia – an institution within the National Government created to support and promote special business development

- Ranked 34th out of 189 countries in the World Bank's Ease of Doing Business indicator 2014.⁵
- Rated 66th out of 144 countries by the World Economic Forum's Global Competitiveness Index for 2014.⁶

- the National Planning Department (DNP),
- Ministry of Trade, Industry and Tourism,
- the Business Development Bank (BANCOLDEX),
- the Ministry of Agriculture and Rural Development (MADR),
- the Colombian Institute of Rural Development (INCODER),
- and the Ministry for the Environment and Sustainable Development (MADS).

The following are some of the public programmes with which connections could be made within the inclusive business framework:

- Project for Building Rural Entrepreneurial Capacity, Confidence and Opportunity (MADR)
- Rural Development with Equity Programme (DRE) (MADR)
- Business Development Programme (DNP)
- Green and Sustainable Businesses (MADS)
- Regional Growth (INNPulsa)

Social policy

There are also a number of programmes dedicated to overcoming poverty that are relevant to inclusive business. The UNIDOS network (the second phase of the JUNTOS network) is the National Government's strategy for overcoming extreme poverty. This network brings together 26 state bodies involved in the provision of basic social services to the population in extreme poverty. The focus is on ten dimensions related to poverty and human development: identification, income and labour,

⁵ Cf. The World Bank : Data. Ease of doing business index (1=most business-friendly regulations), <http://data.worldbank.org/indicator/IC.BUS.EASE.XQ>, accessed 16 July 2015

⁶ Cf. World Economic Forum: The Global Competitiveness Report 2014 – 2015. Latin America Top 10, http://www3.weforum.org/docs/img/WEF_GCR2014-15_Latinamerica_Image.png, accessed 16 July 2015

⁷ Cf. World Bank Group: Doing Business 2015 Fact Sheet: Latin America and the Caribbean , <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Fact-Sheets/DB15/DB15LACFactSheetEnglish.pdf>, S. 1, accessed 16 July 2015

⁸ Cf. Colombia Reports: "Colombia jumps in World Economic Forum competitiveness index", <http://colombiareports.com/colombias-competitiveness-improves/>, accessed 16 July 2015

education and training, health, nutrition, habitability, family dynamics, banking and savings, access to justice and infant services. The UNIDOS network is a strategy managed by the National Agency for Overcoming Extreme Poverty (ANSPE), the National Government body responsible for the social promotion strategy for the country's poorest and most vulnerable populations. In its work, ANSPE has incorporated courses of action in social innovation and private social investment, and has moved forward on strategies such as Poverty Free Zones (ZOLIP).

The Centre for Social Innovation is a public body within the framework of ANSPE. Its objective is to promote development and co-finance social innovation projects directed at the population in extreme poverty. In some of these social innovation projects, the centre has partnered with the Public-Private Alliance of Social Innovation Pioneers.

Within the social policy framework, two initiatives show greater willingness to partner with the private sector on social issues:

- The Office of Private Social Investment coordinates ANSPE's dialogue with private entities and non-governmental organisations interested in the development of projects for overcoming poverty, giving them incentives to focus their investments in initiatives intended for families living in extreme poverty, being responsible for identifying, documenting and promoting best practices in terms of inclusive business and private social investment.
- Poverty Free Zones are intensive interventions in geographically demarcated zones that seek to make a positive impact on the living conditions of the territory and its inhabitants. The zones are led by local public actors in alliance with the private sector, the third sector and the active participation of the community. The intention is to energise the process of family and community support and the management of supply, and meaningful projects are developed around a Territorial Plan for Overcoming Poverty (PTSPE).

Emergence of inclusive business in Colombia



3. Emergence of inclusive business in Colombia

Initiatives associated with the movement towards inclusive business in Latin America have been around since 2006. The terms “inclusive” and “Base of the Pyramid” have both been used, see Appendix 1 for a discussion of these terms.

Countries that have developed these initiatives include Mexico, Colombia, Ecuador, Bolivia and Argentina. Table 2 provides a detailed timeline of the developments related to inclusive business in Colombia.

Table 2: Timeline of developments relevant to inclusive business in Colombia

2006	<i>Founding of the Alliance for Inclusive Business, led by the WBCSD and SNV</i>
	<i>The UNDP launches the Growing Inclusive Markets initiative</i>
2007	<i>CECODES creates the National Inclusive Business Council (CONNIC)</i>
	<i>The IDB creates the Opportunities for the Majority (OMJ) initiative</i>
2008	<i>CECODES and SNV release the book “Inclusive Business in Colombia,” reviewing nine cases</i>
	<i>2009–2012 PRO-CSR Project “Productive Concatenations within the framework of Corporate Social Responsibility.” Financed by the MIF and completed by the National Business Association of Colombia (ANDI)</i>
2009	<i>Launch of the Latin America version of NextBillion.net, a website specialising in inclusive business</i>
2010	<i>Launch of the Regional Initiative for Inclusive Recycling, led by the MIF and the Water and Sanitation Division of the IDB, the Avina Foundation, the Latin American Network of Recyclers (Red-LACRE) and Coca-Cola Latin America.</i>
	<i>Launch of the National Programme for Rural Inclusive Business, “PRONERI,” a programme of the Ecuadorian Ministry for Agriculture, Grazing and Fishing</i>
	<i>Launch of the Inclusive Business Space at the Universidad Torcuato Di Tella, Argentina</i>
	<i>Publication of the book “Inclusive Business: A strategy for reducing poverty: Advances and Guidelines.” Author: CECODES</i>
	<i>Publication of the book “Growing Inclusive Markets: Business strategies for overcoming poverty and exclusion in Colombia”. Author: UNDP</i>
	<i>Launch of the book “Inclusive Business: Creating Value in Latin America” reviewing 11 cases in Latin America. Authors: WBCSD and SNV</i>
	<i>Launch of the book “Socially Inclusive Business: Engaging the Poor through Market Initiatives in Iberoamerica” reviewing 33 Iberoamerican cases. Authors: SEKN Network</i>



2011 *Launch of the Corporate Inclusive Business Network website RENI-WBCSD. Organised by: WBCSD*

First Forum for the Development of the Base of the Pyramid in Latin America and the Caribbean (BASE I) – June 2011, São Paulo, Brazil. Organised by Opportunities for the Majority, IDB

2012 *Seven companies from Latin America (Colombia, Mexico, Guatemala, Brazil and Ecuador) win the G20 Challenge on Inclusive Business Innovation organised by the IFC – International Finance Corporation.*

Launch of Minka-Dev, online platform that functions as a marketplace of business opportunities with a social impact, connecting low-income populations with companies through inclusive business.

2013 *Second Forum for the Development of the Base of the Pyramid in Latin America and the Caribbean (BASE II) – June 2013, Medellín, Colombia. Organised by: Opportunities for the Majority, IDB*

2014 *Publication of the Report: “Scaling up Inclusive Business: Solutions to Overcome Internal Barriers”. Author: WBCSD*

Publication of the report: Many Paths to a Home: Emerging Business Models for Latin America and the Caribbean’s Base of the Pyramid. Author: Opportunities for the Majority, IDB

The promise inherent in the concept of inclusive business is that it can provide improvement in the living conditions of marginalised communities through business development. The promotion of the concept has always been presented to the company as a series of benefits to be gained by engaging in inclusive business. According to the Alliance for Inclusive Business that was promoted for several years by SNV and WBCSD, the benefits of doing inclusive business include – when low-income communities are in the roles of partners, suppliers and distributors – security of supply, traceability and quality control of raw materials, lower transaction costs, access to local knowledge and networks, better relationships with government and positioning in new markets based on fair trade. When communities are in the role of clients, benefits include access to new markets, increased

income from transfers of product innovations into existing markets with increased value and brand positioning to attract future markets. However, the evidence from the case studies collected in this document shows that some of these motivations carry more weight than others, and that they do not signal proactive measures to increase potential social impact, but rather a reactive response to situations affecting the company. Unfortunately, the country has also seen several inclusive business cases that showed promise at the start but no longer exist today. Models that seemed innovative at the development stage, have not been able to prosper due to the challenges inherent in the business model, the conditions in the territory, and the lack of available information and support. One such example is the case of Oro Verde in Colombia.⁹

⁹ Cf. United Nations Development Programme (UNDP) (2010): “Colombia: New report puts the case for pro-poor business”, http://www.undp.org/content/undp/en/home/presscenter/articles/2010/11/19/colombia-new-report-puts-the-case-for-pro-poor-business/_jcr_content/centerparsys.html, and Alliance for responsible mining (May 2014): “Update from Oro Verde y Amichocó”, <http://www.responsiblemines.org/en/more-news/580-update-from-oro-verde-and-amichoco>, accessed 16 July 2015

Case Study 1:

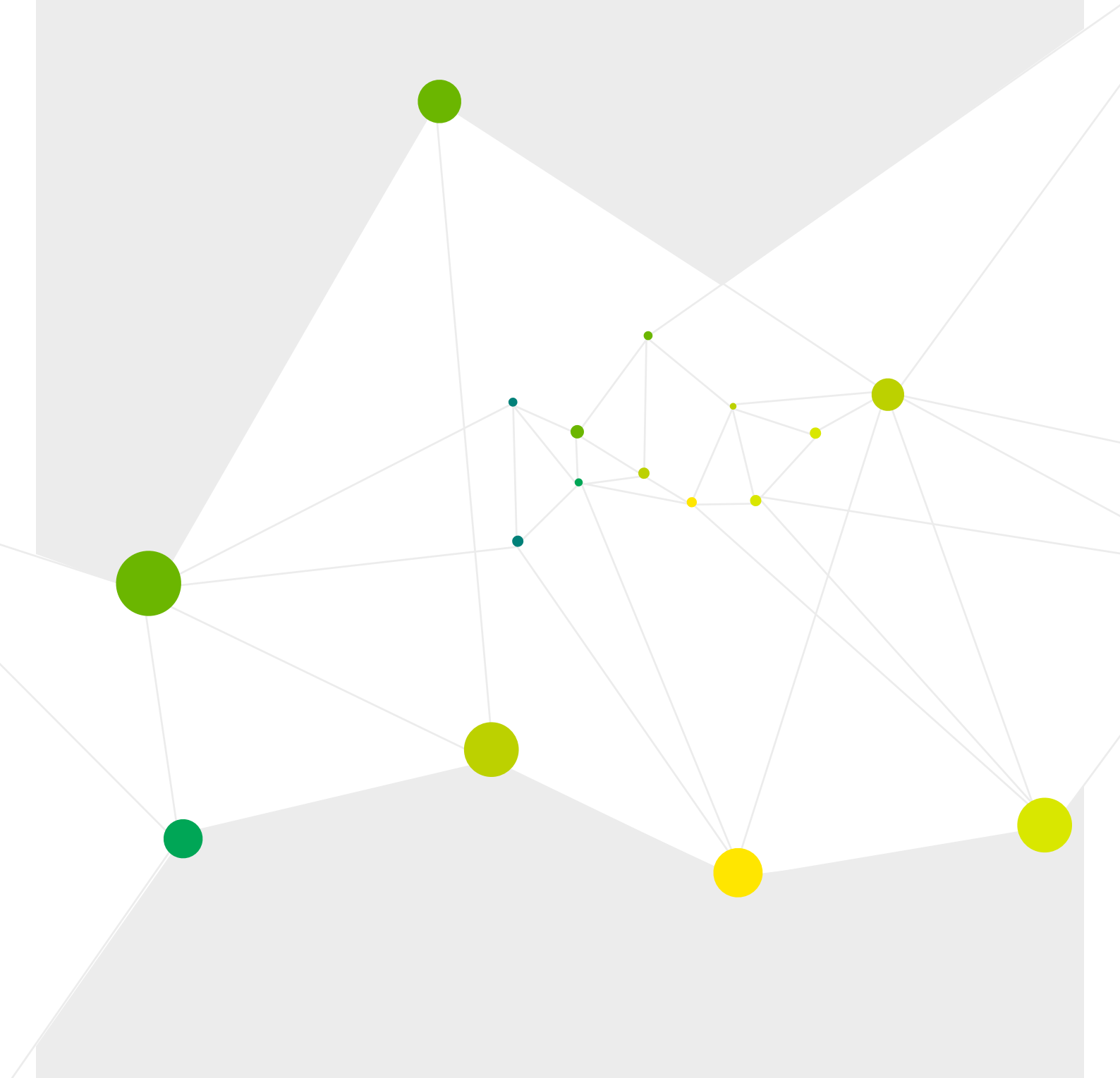
The Oro Verde Story – an unviable model

Chocó is Colombia's poorest area, and at the same time, it is among the zones with the greatest biodiversity on the planet. Its inhabitants combine activities of subsistence agriculture with extractive activities. In the year 2000 the Amigos del Chocó Foundation – AMICHOCÓ – in alliance with the Las Mojarras Foundation and the Community Councils of Tadó and Condoto created the Oro Verde Programme to bring commercial viability to artisanal mining of gold and platinum, connecting the miners with "fair," environmentally sustainable markets, in which responsible jewellers would pay 15 per cent above the market price.

Oro Verde was the world's first model of social and environmental certification for precious metals and provided benefits for over 1,300 artisanal miners, protecting over 7,900 hectares of tropical rainforest. It drove the Alliance for Responsible Mining (ARM), which created the FAIRMINED standard for gold and associated precious metals and the FAIRMINED brand Certification, a registered trademark that guarantees compliance with the standard. Currently, ARM and its national allies are working in Peru, Bolivia, Burkina Faso, Mali and Senegal with close to 40 mines seeking to become part of the certification; the three mines certified have already brought benefits to 1,335 miners.

Because it was such a promising initiative, the Oro Verde case was included among the UNDP's Growing Inclusive Markets case studies. However, its path has been full of difficulties and, in April of 2014 the AMICHOCÓ foundation announced an end to its activities, explaining that the proposed model is unviable due to the current conditions in its environment – an absence of support from the state and a growing threat of illegal gold mining using retro-excavators – and the unsolvable business challenges of low productivity and high logistical costs due to geographical isolation. The ARM is all that remains of this pioneering initiative.

Existing inclusive business models



4. Existing inclusive business models

In the research carried out for this report, six models were defined and 36 inclusive business cases were found in Colombia. These are modest numbers in relation to the communication and promotion of the concept over recent years. The research carried out for this report included a review of inclusive business models in both Colombia and Mexico and it was found that across both countries there were two reasons which may explain the low numbers of inclusive businesses found:

Conditions for the development of lasting inclusive business

Many elements are at stake when putting the concept of inclusive business into practice, related to companies, low-income communities and the conditions surrounding the conception and implementation of the business.

With regard to the company, corporate vision is required on the potential of these markets and these ventures, the capacity to take risks, the willingness to change organisational dynamics to incorporate other logics and other ways to measure success. Low-income communities require a willingness to participate, market orientation, installed capacity and relational capital.

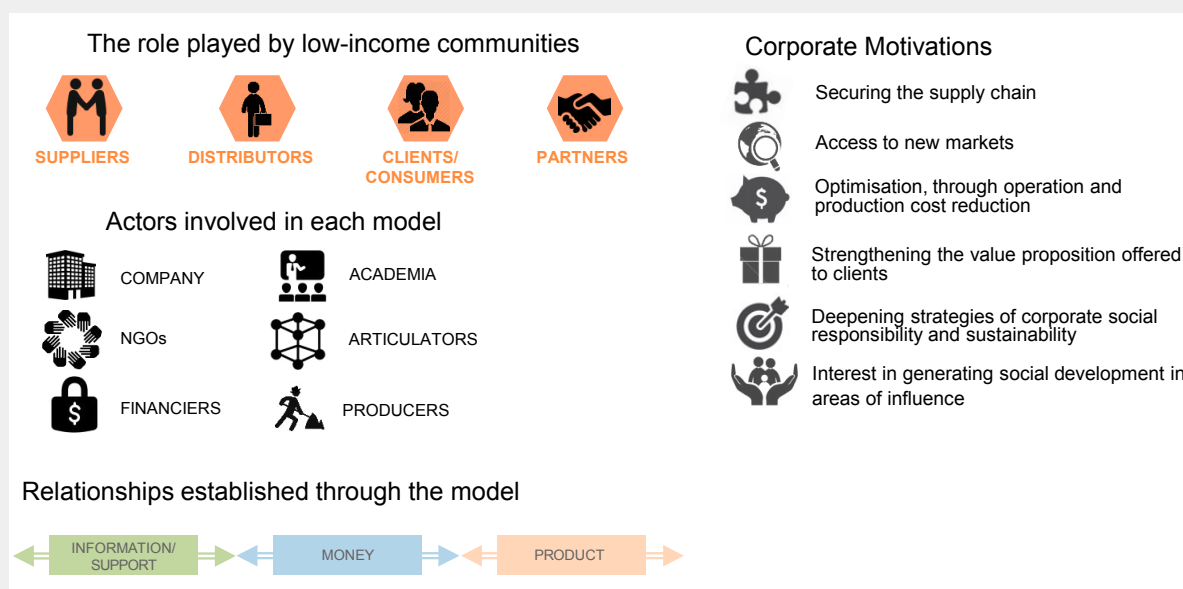
These necessary characteristics need to be accompanied by a real possibility of scale potential, favourable social, economic and political conditions within the territory, the financial disposition to make some initial investments and organisations in the ecosystem that support conditions of possibility, among others. Finding a balance between all these elements poses a challenge that does not appear to appeal to companies on a massive scale.

Different names for similar business practices

The second reason is related to the name “inclusive business” itself. There are currently a variety of business practices for productive inclusion that are being developed under the umbrella of concepts such as supplier development, productive partnerships or shared value creation; or under the auspices of the areas of corporate social responsibility, or through corporate foundations. This variety of terms means that it is not always easy to identify cases where the logic of inclusive business is in operation. It must therefore be reiterated that the list of cases presented in this document is not exhaustive.

The models and cases are explored further in the following section. Icons explain their categorisation, as outlined in Figure 4.

Figure 4:
Iconography for inclusive business models



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 96

4.1. Inclusive business models¹⁰

The traditional perspective on inclusive business suggests that large corporations are the principal and only actors in value chains. This is based on the idea that the scale required by inclusive business is mainly possible through corporations with multinational reach and a very robust value chain. While this idea may be supported by some very high-profile cases of inclusive business developed by large corporations, it is also true that companies of this size face internal barriers such as organisational inertia, the opportunity cost of investment, risk management and discrepancies between strategic and operational areas, all of which reduce the impact of the scope achieved by inclusive business.¹¹

A range of experiences in Latin America give evidence that there is also potential in the value chains of small and medium businesses. In one

example of the development of a business opportunity with social impact through the Minka-Dev inclusive business marketplace, it was found that over 30 percent of the business applying were less than seven years old, with invoicing of no more than US\$ 500,000 per year and components of innovation as part of their main business. The project showed that smaller companies do have the ability to engage in inclusive business, given their flexibility and their interest in entering new markets. Similarly, business models that seek to aid poor communities through market mechanisms can be found in initiatives led by civil society organisations or social enterprise. On this point, it must be noted that inclusive business is just one shade on a wide spectrum of initiatives combining a business focus with a social one. For this reason, in practice the boundaries between social enterprise and inclusive business are often blurred.

¹⁰ The framework described here is also used in the report on Inclusive Business in Mexico

¹¹ In November 2013 the World Business Council for Sustainable Development (WBCSD) published the report “Scaling up Inclusive Business: Solutions to overcome internal barriers.” According to its authors, “The objective of this brief is to kick off greater dialogue on the internal barriers companies face along the pathway to scale in inclusive business and how to overcome them.”

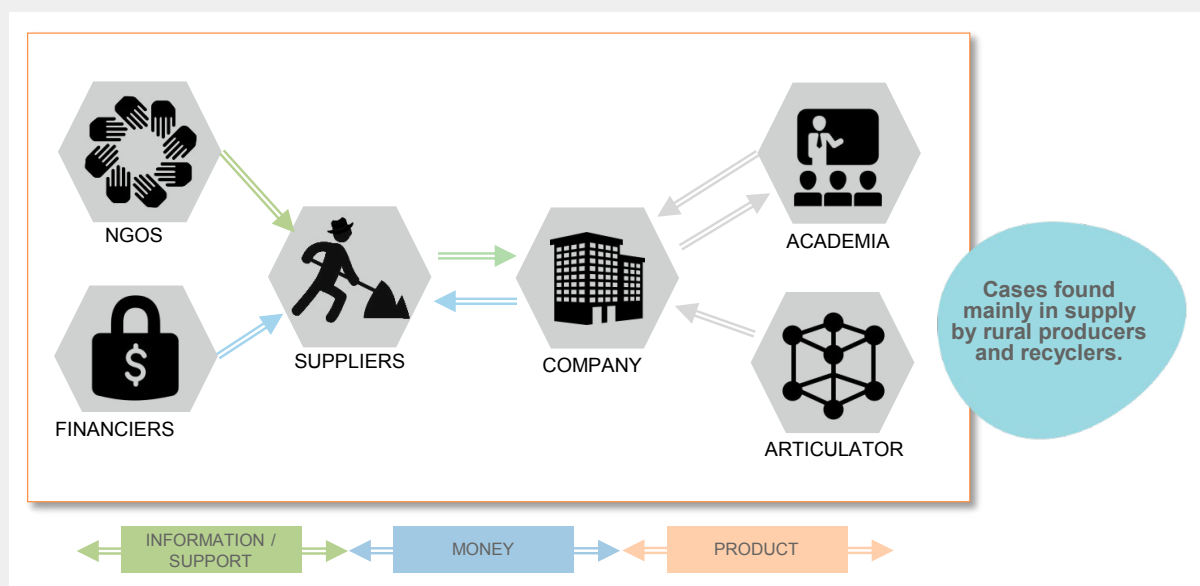
The work of the Social Enterprise Knowledge Network (SEKN), which studied 33 cases of inclusive business in Iberoamerica, considered initiatives that found business opportunities in low-income sectors and which formed part of the main activities of multi-national, small and medium businesses, civil society organisations and social enterprise. From this perspective, when talking about inclusive business, the spotlight is directed at business models which are efficient in connecting low-income communities with formal, conventional markets, “with potential and hope for significant improvements in their living conditions.”¹² In the 36 cases identified by the research carried out for this report, poor communities participated in the following four roles: as clients, as suppliers, as distributors and business partners. Participation in each one of these roles configures a different

business model, in terms of relationships, exchanges and processes which must be carried out in order for the business model to work. In Colombia, cases are concentrated in communities in the role of suppliers (61 per cent) and clients (33 per cent). Below is a list of the different models of inclusive business based on their relationship to the BoP, with the conditions for success in each.

Model 1: Suppliers

Inclusive business that includes low-income groups in the role of suppliers seeks to change commercial relationships in such a way that suppliers can access a formal market under fair, safe conditions. From the company’s perspective, it seeks to ensure its supply chain.

Figure 5:
Supplier model



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 42

¹² Cf. Marquez, P. C., Reficco, E., Berger, G. (2010). Socially Inclusive Business: Engaging the Poor Through Market Initiatives in Iberoamerica. Cambridge, MA: David Rockefeller Center for Latin American Studies, Harvard University Press

Table 3: Conditions for inclusive business in a supplier model

FOR SUPPLIERS:

- Organisational strengthening (administrative and accounting practices)
- Technical assistance (good agricultural practices, post-harvest management, good manufacturing practices, and so on)
- Access to supplies
- Access to financing

FOR THE COMPANY:

- Understanding of the dynamics of groups that are suppliers
- Understanding of inclusive business
- Connection of inclusive business to the company's core business
- Working group with perspective and expertise
- Potential for scale and replication
- Openness to creating partnerships with other actors

FOR BUSINESS:

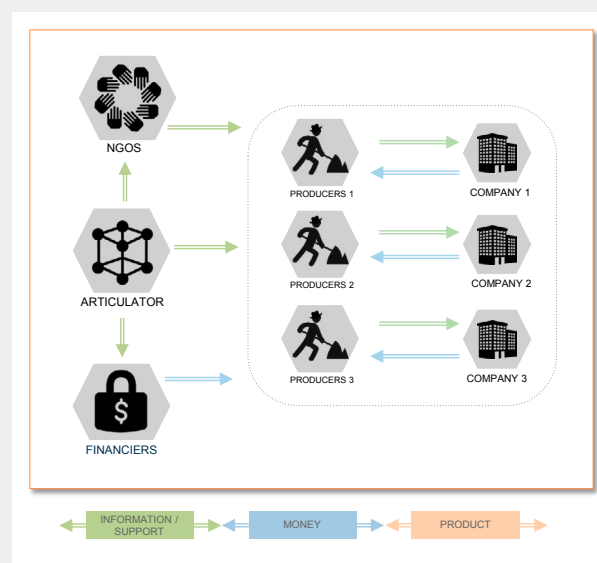
- Guarantee of purchase under fair conditions
- Products in the required conditions of quality, quantity and volume
- Measures of social and economic impact
- Fair negotiating conditions
- Clarity in returns for both sides

Model 2: Suppliers and multiple companies

In Colombia, CECODES is promoting the concept of Inclusive Territorial Development, which proposes the articulation of different groups of producers with several companies that converge in a single territory, under the logic of inclusive business.

CECODES defines Inclusive Territorial Development as “a business strategy that seeks to approach a territory in a way that is in harmony with the community and its environment, to be able to implement economic activity in a way that is sustainable. It is not based on paternalism toward the community, but rather on the development of business involving the community, the results of which are favourable for both the company and the community. This is developed based on the implementation of inclusive business supported by a strategy of broad, open communication with all economic, social and institutional actors within the territory or with an interest.”

Figure 6:
Multiple supplier model

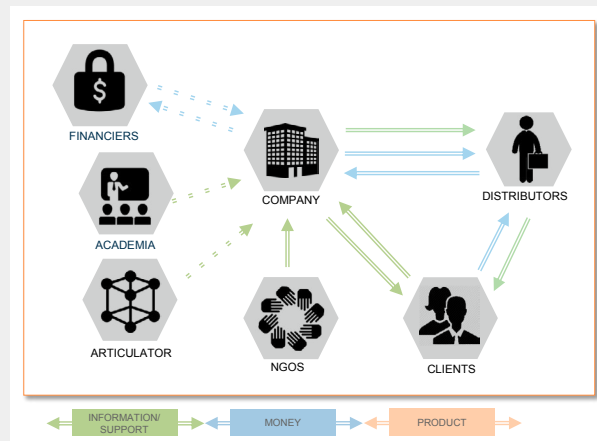


Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 46

Model 3: Distributors

Inclusive business that includes low-income sectors in the role of distributors seeks to leverage social and relational capital to gain access to these markets, which are new for these companies. In these cases, distributors (usually neighbourhood leaders, women and owners of businesses such as stores) and clients belong to the same territory.

Figure 7:
Distributor model



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 48

Table 4: Conditions for inclusive business in a distributor model

FOR DISTRIBUTORS:

- Local capacities
- Confidence in the company and in the quality of the product/service
- Interest in developing new sources of income in the company's business

FOR THE COMPANY:

- Understanding of the social dynamics and economic flows of distributors and the end customer
- Adaptation or creation of a product or services appropriate to social dynamics and the capacity for payment
- Creation of a line of business for this model
- Development of distributor abilities and capacities
- Working group with perspective and expertise
- Potential for scale and replication

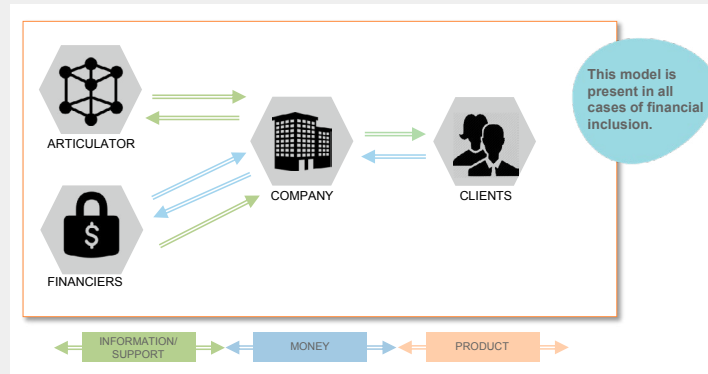
FOR BUSINESS:

- New sources of income through the sale of quality products at a low cost.

Model 4: Clients/consumers

When companies choose to enter a segment of the market made up of low-income people, they specialise the design/adaptation of their products and services, as well as their channels of distribution. In the cases surveyed, this model is found in approaches focused on financial inclusion.

Figure 8:
Client/consumer model



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p.50

Table 5: Conditions for inclusive business in a client/consumer model

FOR CLIENTS:

- Openness to trusting a new product/service, and to conditions for payment
- Products and services that address a need and improve quality of life.

FOR THE COMPANY:

- Perspective on the potential and size of the market
- Knowledge of social, cultural and purchasing dynamics in the new niche in the market
- Understanding of new logics and measures of success which should be incorporated into the business
- Financial leverage for the design/adaptation of new products/services

FOR BUSINESS:

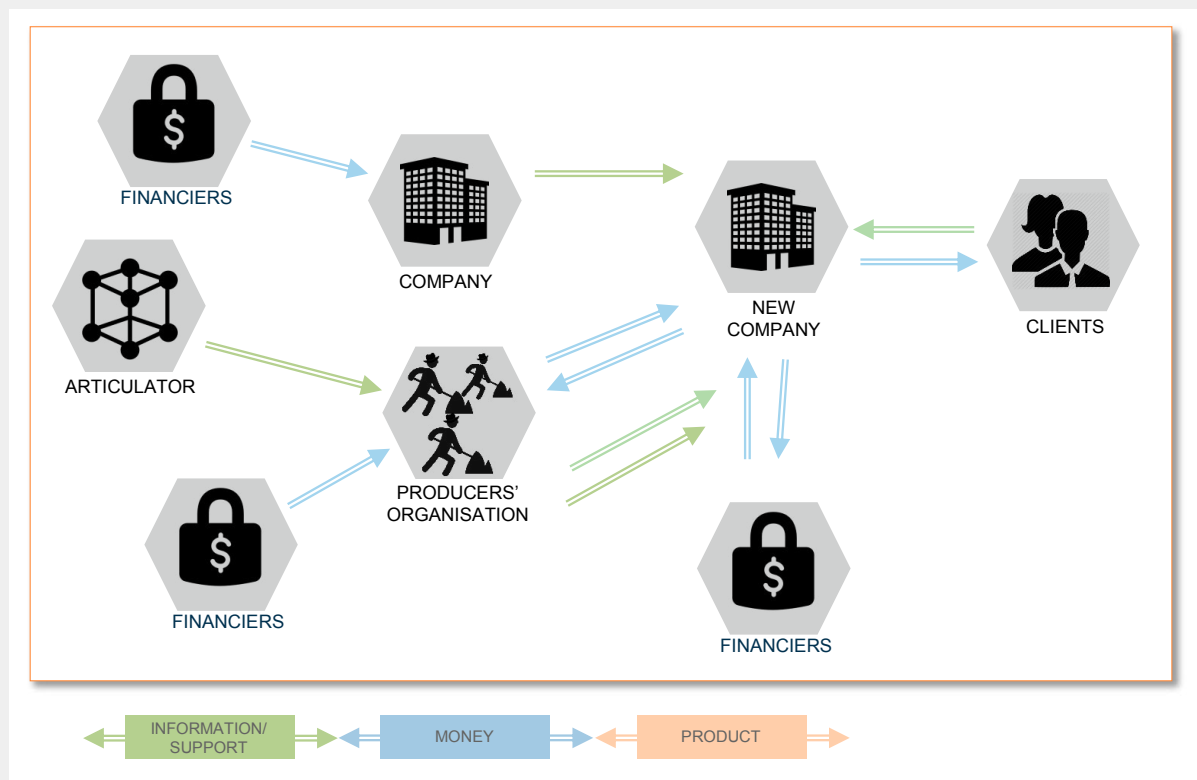
- Stable regulatory and legal framework
- Clarity on the viability time horizon

Model 5: Partners

In the cases identified, only one was found in which a community organisation partnered with a corporation within the framework of inclusive business. This was a joint venture between Cooperativa Colena and Floralp. This case was

supported by the UNDP within the framework of its Inclusive Economic Development programme. The partners in this business are characterised by their solid community organisation (the producers' cooperative) and their history in inclusive business (the company).

Figure 9:
Partner model



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 55

Table 6: Conditions for inclusive business in a partner model

FOR THE PRODUCERS' ORGANISATION:	FOR THE COMPANY:	FOR BUSINESS:
<ul style="list-style-type: none"> • Stability in production capacity • Solid agricultural management practices • Organisational strength 	<ul style="list-style-type: none"> • Perspective on the possibility offered by new business with these characteristics • Experience in the development of inclusive business models • Acknowledgement of the value of local and community assets • Possibility of financial leverage 	<ul style="list-style-type: none"> • Clear rules • Access to necessary financing.

Model 6: Hybrid models

Two experiences were identified in Colombia that were not based on corporate value, but rather on addressing social and environmental needs through inclusive business models. These cases are being

promoted by Minka-Dev, an organisation dedicated to the creation of inclusive business ecosystems, and have the particular quality of focusing on issues with real potential for scale and replication.

Figure 10:
Hybrid models



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 56

4.2. Overview of case studies and corporate motivations

36 inclusive business models identified for this report, as summarised in Figure 9. The majority operate in the agribusiness and food sector (56 per cent). Engaging the BoP as suppliers is the most common type of inclusion at 61 per cent.

Figure 11:
Case studies of inclusive business in Colombia



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 39

Table 7 below lists the inclusive business examples by sector and by the type of BoP engagement as per business models described above

Table 7: Inclusive businesses in Colombia by BoP interaction					
	Suppliers/ Producers	Suppliers and several companies	Retailers/ Distributors	Consumers/ Clients	Partners
1. Agriculture	Grupo Nutresa Alpina S.A Federacion Nacionla de Cafeteros Casa Luker Restaurante Wok Hugo Restrepo y CIA Fritolay Labfarve and Salva Nevada Café Devotion Pepsico AOL Productos del Caribe	Grupo Argos Postobon S.A Coltabaco Abejas y Miel Ltda Agro SAS	ALPINA	PAVCO	COLENALP SAS
2. Environmental Services	Syngenta				
3. Recycling	Enviaseo, preambi- ental, Peldar, Car- tones de Colombia and Grupo Familia Disclar Ekoplasticos, Empresa de Servicios public de aseo de Cali, Empresa Metropolitana de aseo de cali				
4. Finance				Promigas Codensa Bancolombia Empresas publicas de Medellin	
	↓				

	Suppliers/ Producers	Suppliers and several companies	Retailers/ Distributors	Consumers/ Clients	Partners
5. Education				<i>Corporacion Universitaria minute de dios</i>	
6. Energy				<i>Energia social, empresa de union fenosa Empresas publicas de Medellin</i>	
7. Construction				<i>Cemex Corona</i>	

Corporate motivations

A number of different corporate motivations for engaging in inclusive business can be identified. For the purposes of analysis they have been categorised as follows:

- Securing the supply chain
- Access to new markets
- Optimisation through reduced operating and production costs
- Strengthening the value proposition offered to clients
- Expanding corporate social responsibility and sustainable strategies
- Interest in generating social development in areas of influence

The case studies presented below include analysis of the corporate motivations at play.

4.3. Agriculture

The largest cluster of inclusive businesses identified in Colombia are those that engage the BoP as suppliers and fall within the agriculture sector. The corporate motivations are diverse, as shown in Figure 12.

Figure 12:
Companies engaging the BoP as suppliers in agriculture

INCLUSIVE BUSINESS	PARTICIPATING ORGANISATIONS	CORPORATE MOTIVATION
Linking cacao suppliers	GRUPO NUTRESA • Fundación Nutresa	
Linking milk suppliers	ALPINA S.A. • Fundación Alpina, MADR	
Young coffee growers	FEDERACIÓN NACIONAL DE CAFETEROS	
Supplier development for trading in processed fruit	CASA LUKER	
Articulation of fishers Pesca Artesanal Sostenible	RESTAURANTE WOK • Fundación MarViva Red de Frio de Pescadores de Bahía Solano	
Productive incorporation of hot chilli	HUGO RESTREPO Y CÍA	
Producers of peeled bananas	FRITOLAY	
Sustainable use of Corozo de Lata with small producers	RESTAURANTE WOK • LABFARVE Laboratorio de Farmacología Vegetal • SELVA NEVADA	
Free trade coffee suppliers	CAFÉ DEVOTION • Cordepaz • FUNLEO	
Linking banana producers	PEPSICO • Mayor's office of Belén de Umbria MADR, IICA, DPS	
Linking small farmers and fishers	AOL PRODUCTOS DEL CARIBE	

Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p.43

In some cases there is information available about the reach of these agriculture business and some impacts on producers, as for Grupo Nutresa and Alpina see next page.

Case Study 2:

Grupo Nutresa working engaging the BoP as suppliers¹³

- Over 60 productive projects around the country, spread throughout 16 departments.
- Over 10,000 cacao-producing families benefit, with 21,983 hectares of cacao.
- Investment: 1.5 billion pesos were invested in in these programmes (inclusive businesses, Technological Research and Transfer) was provided by the company, and over 657 million pesos in technical assistance

Case Study 3:

Alpina, linking milk suppliers

- Investment: US\$225,00 in adaptations, improvements and technical assistance.
- Collection of 70 thousand litres of milk per day, equivalent to around 8 per cent of the company's total demand.
- Greater production performance due to a 39 per cent increase in the volume of milk received by the company for the region.
- The hygiene quality of the milk went from 0.5 per cent to 23 per cent in 2008.
- Forms part of the 9 producers' associations programme, made up of 750 families from indigenous and farming communities, 103 graziers from Cauca and 197 graziers from Nariño. A total of 1,050 families are involved.
- Increase in producers' incomes, resulting from a 5.9 per cent increase in the price per litre of milk. This increase, added to the amount suggested by the government, is equivalent to 11.7 per cent.

Source: SNV and CECODES (2008) no suitable link found!

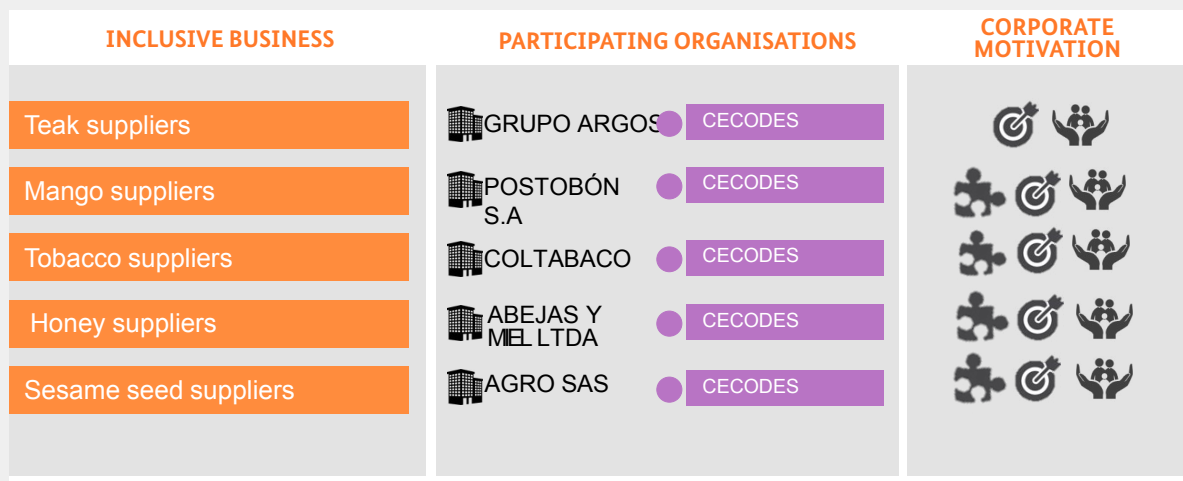
Engaging with multiple companies and the BoP as suppliers

The only case identified in this territorial development model is being developed in Colombia, in the area of Montes de María. This case combines five inclusive business endeavours, by five companies operating within the same territory.

¹³ Cf. Grupo nutresa: Integrated report 2014. Sustainable Sourcing, <http://2014report.gruponutresa.com/sustainable-sourcing-int/>, accessed 16 July 2015

Figure 13:

Multiple companies engaging the BoP as suppliers in agriculture



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 47

Engaging the BoP as distributors, consumers, partners

There are a few other examples of companies engaging with the BoP in agriculture and food as distributors, consumers and partners.

Figure 14:

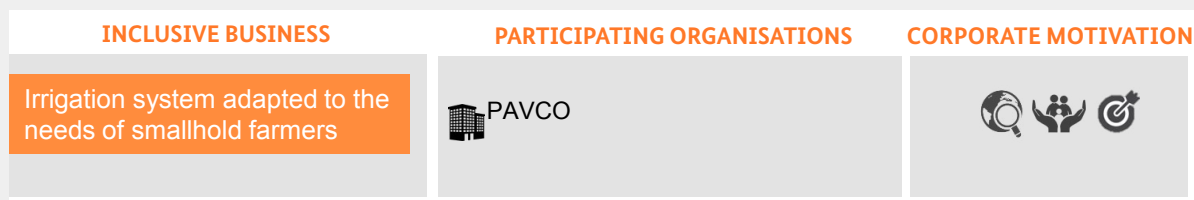
Companies engaging the BoP as distributors in agriculture



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 49

Figure 15:

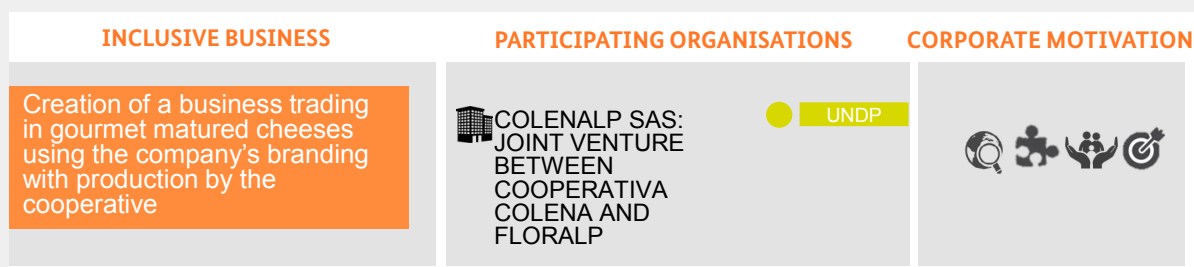
Companies engaging the BoP as consumers in agriculture



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 52

Figure 16:

Companies engaging the BoP as partners in agriculture



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 56

Case Study 4:

The Holcim story, supporting milk producers across Colombia¹⁴

Holcim (Colombia) S.A. belongs to the Holcim group, a leading global supplier of cement, concrete and additives with a presence in 70 countries on 5 continents. In Colombia, Holcim produces and sells cement and concrete, extracts limestone, handles alluvial materials, provides specialised transport services for materials and products and handles final disposition and ecological disposal of industrial waste. The Holcim Colombia Social Foundation works with communities in the company's area of influence in employment and income generation through productive partnerships.

Within this framework, the Holcim Social Foundation has been supporting the Association of Agricultural and Livestock Producers (Agronit), an organisation of small and medium milk producers from the municipalities of Tibasosa, Nobsa, Sogamoso and Iza. The involvement of the Social Foundation has been centred on training producers in production quality and on improving livestock processes, new productive areas that reinforce animal feeding and wellbeing, and on strengthening associative management. This support has allowed Agronit to participate in inclusive business where it is the supplier to Alquería, a large corporation in the dairy sector.

Source: Fundación Social Holcim of Colombia, and CECODES.

¹⁴ Cf. Holcim Colombia: Productos y Servicios, <http://www.holcim.com.co/productos-y-servicios/cemento.html> and Fundación Social de Holcim Colombia: Programas. Empleo y generación de ingresos, Agronit, <http://www.fundacionsozialholcimcolombia.org/programas-empleo1.html>, accessed 16 July 2015

4.4. Environmental services

Engaging the BoP as suppliers

There is only one company identified as working in environmental services in Colombia, Syngenta. It engages the BoP as suppliers with the aim of preserving native tropical forests.

Figure 17:

Companies engaging the BoP as suppliers in environmental services

INCLUSIVE BUSINESS	PARTICIPATING ORGANISATIONS	CORPORATE MOTIVATION
Eco-waters: Preservation of native tropical forests using a payment scheme for environmental services		

Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 44

4.5. Recycling

Engaging the BoP as suppliers

Multiple organisations are working with the BoP as suppliers in recycling in order to secure their supply chains, optimise production and deepen their strategies of corporate social responsibility and sustainability.

Figure 18:

Companies engaging the BoP as consumers in financial services

INCLUSIVE BUSINESS	PARTICIPATING ORGANISATIONS	CORPORATE MOTIVATION
Organisation, support and linking of recyclers	 ENVIASEO, PREAMBIENTAL, PELDAR, CARTONES DE COLOMBIA, GRUPO FAMILIA	
Organisation, support and linking of recyclers	 DISECLAR	
Organisation, support and linking of recyclers	 EKOPLÁSTICOS, EMPRESA DE SERVICIOS PUBLICO DE ASEO DE CALI, EMPRESA METROPOLITANA DE ASEO DE CALI	

Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 45

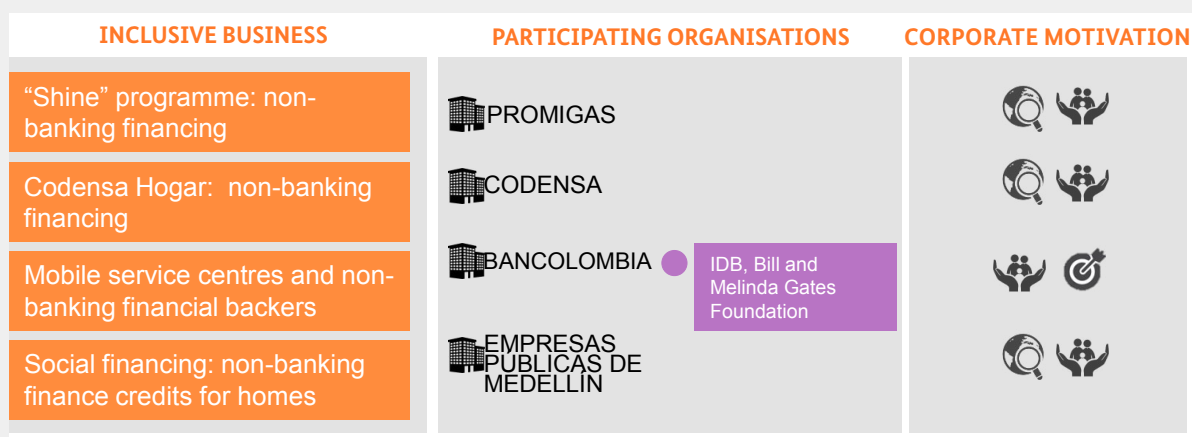
4.6. Financial services

Engaging the BoP as consumers

Creating products and access for the BoP to financial services is essential to reducing poverty. The below companies are engaging the BoP as consumers in order to gain access to new markets and generate social development in areas of influence.

Figure 19:

Companies engaging the BoP as consumers in financial services



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 51

Case Study 5:

Promigas Brilla Programme, providing credit to the BoP¹⁵

- Over one million borrowers have benefited from the Brilla credit, 94 per cent of whom come from low-income segments; 31 per cent of credits have been used for home improvements.
- Of US\$ 158.6 million in pending loans, only 1.6 per cent are overdue for payment for more than 60 days.
- Net income of US\$ 40.6 million in 2013, compared to US\$ 15 million in the first year of Brilla, and an EBITDA of US\$ 27.9 million.
- Brilla has created a broader domino effect, creating over 2,000 jobs within the Promigas system and among suppliers and retailers involved in the programme.

¹⁵ Cf. International Finance Corporation (IFC) (2014): Inclusive Business Case Study: Promigas, <http://www.ifc.org/wps/wcm/connect/35840a804d33303289becdf81ee631cc/Promigas.pdf?MOD=AJPERES>, accessed 16 July 2015

4.7. Education and skills

Engaging the BoP as consumers

The two inclusive business models operating in the education sector in Colombia provide services at two ends of the spectrum; while Corporacion Universitaria Minuto de Dios aims to make University education accessible to low-income sectors, Fundacion Carulla aims to bring high quality early childhood education services to the BoP. Both do so in order to strengthen their value proposition offered to clients and generate social development in areas of influence.

Figure 20:

Companies engaging the BoP as consumers in the education sector



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 53

4.8. Energy

Engaging the BoP as consumers

The below companies work in different ways to increase energy supply to low-income communities, some marketing power and others providing financing schemes specifically designed at the needs of the BoP.

Figure 21:

Companies engaging the BoP as consumers in the energy sector

INCLUSIVE BUSINESS	PARTICIPATING ORGANISATIONS	CORPORATE MOTIVATION
Marketing of electrical power in electrically- subnormal neighbourhoods	ENERGÍA SOCIAL, EMPRESA DE UNIÓN FENOSA	
Payment for electrical energy through a scheme of pre-payment	EMPRESAS PÚBLICAS DE MEDELLÍN	
Soft credits for the installation of electrical wiring in homes	EMPRESAS PÚBLICAS DE MEDELLÍN	

Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 52

4.9. Construction

Engaging the BoP as consumers

The below corporations are working with the BoP as consumers in order to gain access to new markets, deepen their strategies of corporate social responsibility and generate social development in areas of influence.

Figure 22:

Companies engaging the BoP as consumers in construction

INCLUSIVE BUSINESS	PARTICIPATING ORGANISATIONS	CORPORATE MOTIVATION
Patrimonio Hoy: Integrated solution to construction needs of low-income families	CEMEX	
Viste tu casa: Affordable access to ceramic floors and walls	CORONA/COLCERAMICA	
Integrated Assisted Self-construction Programme (“PiAC” in Spanish)	CEMEX	

Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 54

The inclusive business support ecosystem



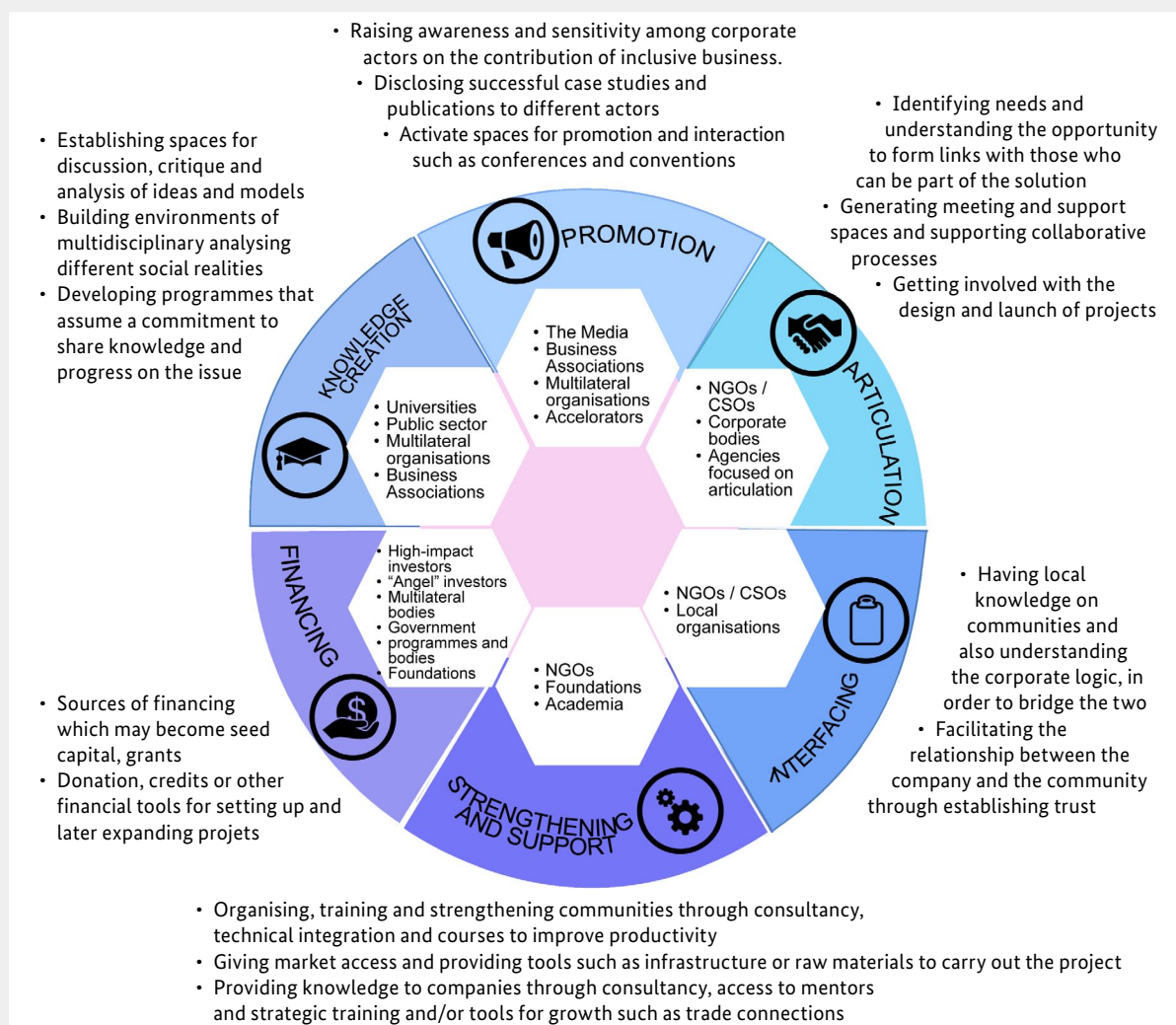
5. The inclusive business support ecosystem

In order to analyse the inclusive business ecosystem in Colombia a framework was created based on the processes that are needed for inclusive business to be promoted and put into practice, incorporating reflections from interviews carried out for this report. See Appendix 3 for a discussion of alternative frameworks and definitions. Figure 23 outlines this framework, including the six processes that were identified as key

components in an inclusive business ecosystem and the types of actors that can be found fulfilling these essential functions. The actors and the roles they play within the inclusive business ecosystem in Colombia are then presented on the following pages and summarised in Figure 24, which visually places these actors within the framework according to the processes they fulfil.¹⁶

Figure 23:

Analysis framework for the inclusive business ecosystem



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 64

¹⁶ For more information about support available around the world for inclusive businesses visit the Practitioner Hub for Inclusive Business's database of support.

Business and professional associations and partnerships

Professional and business associations have made notable efforts to promote the concept of inclusive business, with an evident focus on large corporations. It is interesting to highlight the existence of the National Council on Inclusive Business (CONNIC) fostered by the Colombian Business Council for Sustainable Development (CECODES), which promotes the consolidation of regional Councils. The CONNIC serves as a HUB of articulation spaces, and continues to face the challenge of attracting more businesses. CONNIC has conceived and developed a National Strategy on Inclusive Business. The strategy has eight objectives, which address a variety of elements related to the promotion, identification and monitoring of inclusive business cases.

- **Promotion of inclusive business:** CONNIC has made progress on the creation of introductory presentations and videos on the topic, as well as building a resource library and designing an inclusive business workshop aimed at raising sensitivity.
- **Systematisation of IB cases:** CONNIC has created a case-systematisation tool¹⁷ that gathers information on a particular moment in the history of an IB case.
- **Platform of projects that meet inclusive business criteria:** this objective materialised with the launch of the website negociosinclusivoscolombia.org, which gathers information on the strategy, the resources developed and news related to the sector.
- **Network of Resource Sources:** this approach seeks to create a map of investors to make it easier to match the demand with the supply of capital. Results have not yet been generated.
- **Regulatory framework and public policy:** this objective seeks to identify the opportunities to encourage public policy on IB. It aims to consolidate CONNIC as a space for strengthening and structuring networks. Results have not yet been generated.

- **Understanding the needs of low-income communities, starting from their role as consumers:** seeks to understand the decision-making processes of low-income communities, ordering the variables of gender, age, geographical location, income and educational attainment. Results have not yet been generated.
- **Strategic Alliances with a variety of actors:** seeks to establish alliances with actors from a variety of sectors (public, private and academia) in order to continue promoting inclusive business and to build closer relationships with sources of investment resources. So far, agreements or accords have been established with organisations from the academia, the public sector and universities.
- **Creation of Regional Committees:** this has materialised in the creation of committees that have taken on the task of taking national strategy on the topic to a specific territory. So far, two Committees have been created, one for Montes de María (where the case of inclusive business under the inclusive territorial development model can be found – see Chapter 3), and the Committee for Antioquia.

As can be seen, progress has been made at different speeds on all the above objectives. The Committee's great challenge is to achieve continuity in the processes of engagement with actors and ensure that leadership is shared. Other organisations in the private sector include CBIDF Hub de Alianzas, ANDI (National Business Association of Colombia), Bogota House of Commerce, Fedepalma, National Banana Growers' Association of Colombia and the National Federation of Coffee Growers.

Government

Within the social institutional environment there is interest and openness to inclusive business and public-private partnerships. However, there is a notable absence of public agencies oriented toward competitiveness and business development, in the promotion and articulation of the concept of

¹⁷ This tool can be found at <http://negociosinclusivoscolombia.org/index.php/guia-para-el-registro-de-casos>

inclusive business. It is evident that in Colombia, the public sector needs to play a much more active role. While Colombia does have some public sector activity related to inclusive business, one area of opportunity may be developing a more direct role in financing, in order to facilitate the development of more projects. The current actors include the **National Agency for Overcoming Extreme Poverty**, **The Office of Social Private Investment**, **the Centre for Social Innovation** and **the Ministry of Agriculture**.

Multilateral organisations

Both the IDB and UNDP have concrete courses of action in place concerning inclusive business in Colombia. The potential of inclusive business to support the rehabilitation and post-conflict process has attracted these organisations including the **CAF Development Bank of Latin America**.

Universities and centres

Centres of learning in Colombia have done little research around the challenges of inclusive business, models of management and governance, or market-based solutions to poverty. In training terms, the topic appears within general studies of corporate social responsibility. Institutions include the **Universidad de los Andes**, **Universidad EaFit (Inclusive Business Laboratory)**, **Universidad Externado**, **Universidad EAN**, **Pontificia Universidad Javeriana** and the **Centro Internacional de Agricultura Tropical (Decision and Policy Analysis Programme)**.

The media

The concept and its practices are only broadcast on media associated with CSR or as specialised segments. The topic has not yet gained its own space within the media. Interested media organisations include **Semana Sostenible**, **Gestrategica**, **Revista RS** and **Corresponsables Colombia**.

Foundations, NGOs/articulators

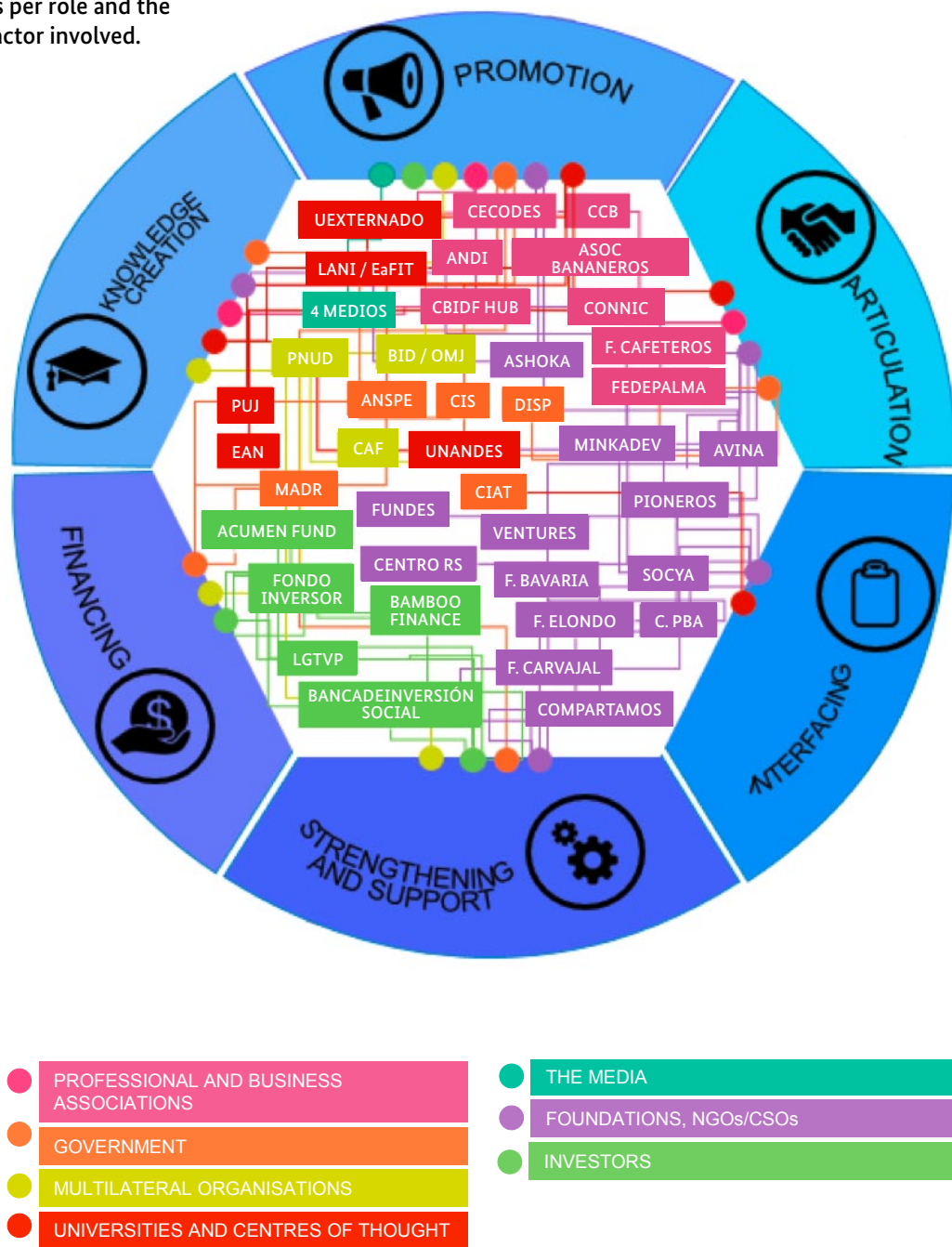
More and more social organisations are experiencing the need to include a market perspective in the development of their projects. Few organisations have managed to link social and business issues from systemic, highly competitive perspectives. New actors are emerging within this framework who seek to connect the two worlds from the private sector. These include **Avina**, **Funacacion el Cinco**, **Compartamos con Colombia**, **Pioneros de la Innovacion Social**, **Fundacion Carvajal**, **Fundacion Bavaria**, **Ventures Corporation**, **Minka-Dev**, **Fundes**, **Centro Internacional de Responsabilidad Social & Sostenibilidad**, **Ashoka**, **Fundacion Socya** and **Corporacion PBA**.

Investors

Among investment funds there is strong interest in new businesses that generate a social impact. The general feeling points toward a lack of good projects to take advantage of the available investment. There also appears to be a lack of financing for phases prior to replication, such as design and piloting. The investors in Colombia include **Bamboo Finance**, **Fondo Inversor**, **Acumen Fund**, **LGT Venture Philanthropy** and the **Social Investment Bank**.

Figure 24:
The inclusive business ecosystem in Colombia

This map shows the number of actors per role and the type of actor involved.



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 73

The ecosystem in Colombia is strong, but there is evidence of a lack of actors who can carry out activities in interfacing between communities and companies. Reconciling corporate and social logic continues to be a challenge. Based on the actors and their roles above, the key elements of the Colombian ecosystem are:

Backing a multiplicity of roles – The actors in the ecosystem have a multiplicity of roles.

NGOs: Essential to the ecosystem – There is a strong presence of NGOs/CSOs (Civil Society Organisations) and Foundations. However, investment activity is low, although in Colombia investors do play the role of promoting inclusive business too.

Promotion: beyond simply broadcasting an empty concept – A relevant indicator as to the health of the ecosystem is the high concentration of actors playing the role of promoter. However, the quality and depth of this promotion must be questioned. There is an excess of uncritical perspectives that merely broadcast the concept, showing only one side of the story, that offered by corporations. A wider range of voices must be given access to the means to tell their stories of inclusive business, foremost among them should be the low-income communities.

The call to academia: an unfinished task – Universities show up only as minor actors within the ecosystem. Evidence of this can be seen in the scarcity of articles and books written on the topic. A review of administrative and managerial challenges implied by the development of inclusive business depending on its origin (large, medium or small company, or social organisation), as well as the conditions needed for replication, is a task that remains to be done.

Gaps in the ecosystem

The gaps and challenges faced by inclusive business are a point of reflection between the different actors who make up the global ecosystem. In November of 2014, within the framework of the first Latin American conference of the Inclusive Business Action Network, 28 participants from 20 different organisations were given a space for conversation on the challenges and difficulties within the ecosystem. This conference took as its starting point the gaps and challenges revealed in the bibliography, and proposed actions to address the most urgent issues. These issues are:

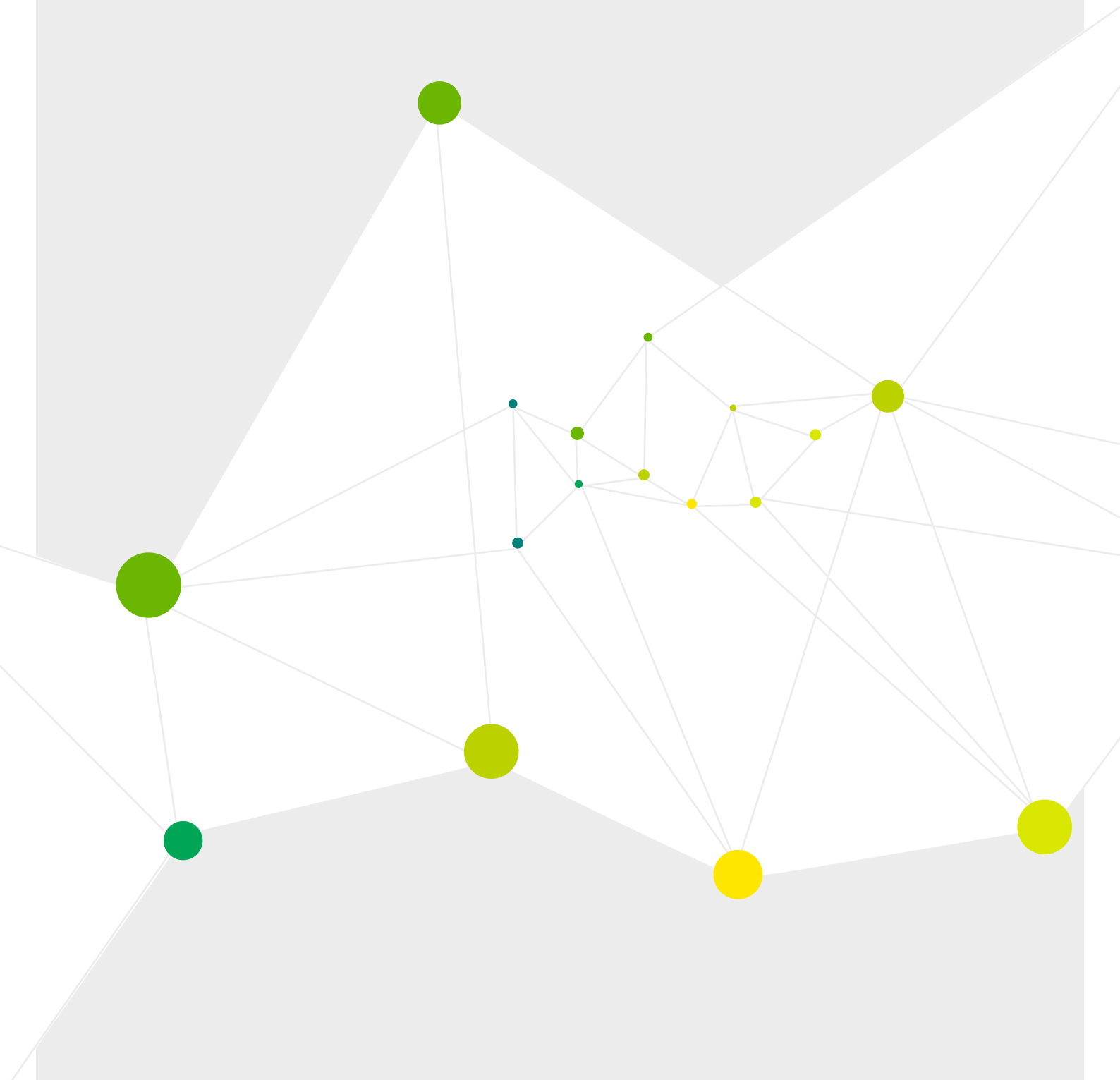
- Information and knowledge: weak communication of best practices and lessons learned, as well as a lack of high-impact measuring tools.
- Financing: lack of information and limited conversation on financing for inclusive business.
- People and partners: difficulty in finding people with business knowledge and understanding of low-income sectors, and difficulty in identifying strategic allies and consolidating alliances.
- Rules of play and public policy: lack of public policies and fiscal incentives to promote the development of inclusive business.
- Structure and capacity: gaps in areas of intra-organisational capacity.

The proposals that were co-created for each dimension centred on the promotion of exercises of articulation and the creation of resources, tools and methodologies to enable the consolidation of the ecosystem.¹⁸

The issues identified show that inclusive business in Latin America is still in its early stages, and that foundations have not yet been laid for large scale growth. How can inclusive business become “business as usual?” How can it be presented as more than just a passing trend? These are the big questions surrounding the ecosystem, which do not yet appear to have concrete answers.

¹⁸ Cf. Ashoka: Past Globalizer, <http://www.ashokaglobalizer.org/economic-inclusion-LA2>, accessed 16 July 2015

Conclusion



6. Conclusion

The panorama described in this report gives evidence that inclusive business is a promising field. However, in both countries surveyed, there is not yet enough information to know with certainty whether inclusive business really does contribute to overcoming poverty. How can inclusive business become business as usual? How can it be presented as more than just a passing trend? These are big questions surrounding the ecosystem, which do not yet appear to have definite answers. Only better and more detailed information, and a greater number of case studies, will make it possible to obtain clues regarding the answer to this fundamental question.

6.1. The state of the inclusive business landscape in Colombia

Below are the conclusions we can draw about the inclusive business landscape in both Mexico and Colombia based on the research in this report:

Large corporations in the role of protagonists; new actors are emerging

In Colombia, most inclusive business is promoted by large corporations. This situation is derived from the widespread idea that large corporations, due to size, capital availability and geographical coverage, are in the best position to promote this kind of business. It is only recently that the potential of small and medium enterprise has begun to be considered for this kind of business, and special efforts are being undertaken to motivate them to develop inclusive business. The heterogeneity among those promoting these businesses will, in the short term, require a differentiated analysis of the kinds of challenges and gaps they face.

Motivations are diverse, ranging from the search for efficiency to an interest in corporate social responsibility

Companies engage in inclusive business for a variety of reasons which often overlap and reinforce one another. In the cases surveyed here, we found motivations associated with business efficiency

(optimisation through reductions in operating and production costs), the creation of conditions for long-term survival (securing the supply chain, strengthening the value proposition offered to clients and access to new markets) and strategies of corporate social responsibility (improving sustainability and interest in generating development in areas of influence).

Communities are included mainly as suppliers or clients

In the majority of cases, low-income communities play the role of supplier or client. The former scenario involves articulations to improve the corporate supply chain in the agribusiness and food sectors, but does not show processes of innovation or deepening of the possible range of articulation. On the other hand, in a client situation, there is evidence of a greater degree of innovation, due to the process of development implied by these models.

New perspectives on inclusive business, beyond the current needs of the value chain

Business that is not primarily driven by corporate needs gives evidence that there are more paths toward the development of inclusive business beyond the existing value chains, and that it is possible to design and implement market initiatives that respond to the needs of vulnerable communities.

In Colombia, cases were found that begin to show new patterns in the way inclusive business is undertaken. In these “hybrid models,” the initiative for doing business does not come from private enterprise, but rather from processes of open innovation that identify social and environmental problems that can be solved using inclusive business models, and which invite companies to become involved as strategic partners. These cases show that it is possible to build models that alter traditional power relationships and that add innovation and complexity to interactions.

Few cases, compared to the promotion of the concept

The number of inclusive business cases that could be identified does not correlate to the wide promotion of the concept, nor to the magnitude of the poverty phenomenon in Latin America. While it is true that some cases of inclusive business are presented under other names, it is clear that engaging in inclusive business implies a significant level of complexity, one which not all companies are willing to take on.

Little historical, systemic information is available on existing cases

At the same time, information is scarce on the content and achievement of inclusive business ventures. Making the situation even more difficult is the fact that many of these cases have been described anecdotally, centring on the social need addressed over the market potential of the proposed business solution. This results in an inability to connect the development of inclusive business with processes of innovation and transformation. Tied to the above is the evidence that many initiatives were in their pilot phase, and little is known years later as to whether they achieved their balance point and, more importantly, if they have made it out of the pilot stage. This situation makes it difficult to address the field of inclusive business as a widespread corporate practice, and suggests that it should still be treated as an “uncommon phenomenon.”

6.2. Recommendations for a stronger inclusive business sector

Looking ahead, it is important to address action on three levels at which work is to be done simultaneously: the case, the sector and the ecosystem. On a case level, accurate information is required on the market, the business, the communities, as well as allies. On a sector level, there must be sectoral interaction to develop economies of scale in each particular sector: agriculture, textiles, financial inclusion. Finally, a broad perspective is required, which considers the ecosystem and the market; into the latter is inserted the question on the role to be played by the public sector and the makeup of strategic networks with actors from the public, private and social sectors.

As previously discussed three basic elements are needed to do inclusive business: the promotion of the concept, to create interest and the desire to experience new ways of doing business, articulation to generate interactions which otherwise would not occur and the investment necessary to carry it out. Based on the information analysed for this document, the challenges faced by inclusive business and recommendations of how to address them are listed below, classified according to these three elements.

Promotion of the concept

- **CONCEPT** – Today a plurality of concepts exists surrounding the relationship between businesses and the fight against poverty. This implies a certain amount of confusion, considering that these concepts are mutually distinct and separate, which can lead to a lack of interest or outright apathy, as well as inclusive business practices that go unrecognised.
- **INFORMATION** – The information communicated is fundamentally centred on the meaning of inclusive business and its benefits. Very little information is available on the processes and methodologies that can be used in its execution. A large amount of the information available is anecdotal and focused on the sentimental aspect of social development, rather than on the corporate or business dimensions, such as challenges, barriers and/or business models.
- **KNOWLEDGE** – Most cases of inclusive business show a very basic level of innovation, with simple articulations and well-proven business models. Furthermore, many cases are still in their early stages and those that have advanced to a later stage have not yet published their results, generating uncertainty on the tangible benefits of inclusive business.

Steps that can be taken:

- Adapt tools already being used in social enterprise and innovation, business innovation, and so on, which can enable the design process of the business model to be more participative, horizontal and disruptive. This also includes translating many global resources into Spanish.

- Build a guide, questionnaires and algorithms, and share them so that every actor can identify projects or programmes that are inclusive in nature, and invite others to participate in the construction of an inclusion wiki.
- Consider the methodological development carried out by the WBCSD for the systematisation of cases.
- Provide detailed, in-depth documentation of the most innovative models of articulation and share them. Generate mechanisms and concrete incentives for this documentation to be kept consistent.
- Create a platform of information that allows monitoring of the progress on new inclusive business initiatives.
- Launch more spaces for thought and innovation, inviting non-traditional actors to participate in its organisation. They must challenge the traditional view of doing inclusive business.

Actor articulation and interaction

- CONTACT SPACES – Contact spaces give incentives for all actors to be present, however NGOs and the private sector continue to have the greatest presence, as they are the main driving forces behind the ecosystem.
- INTERACTION – Innovation should start from the business sector, based on the assumption that these actors are the ones closest to the topic; however, it is communities and NGOs/CSOs who best understand the social needs and challenges. Very few NGOs/CSOs understand corporate logic and are able to facilitate the relationship between a company and a community (interfacing), which creates a gap in the ability to respond to the number of opportunities to be found in social development.
- Linkage – When attempts are made to incorporate inclusive business into public policy, they enter through the social side rather than through the area of productive development and competitiveness.

Steps that can be taken:

- Extend the use of the methodologies for the creation of inclusive business, so that they use the needs and tools assets of low-income communities as a starting point.
- Adapt guides on co-creation to the realities of communities to ensure that they are the ones to create innovative business models.
- Establish innovation sessions/hubs that are accessible to all actors. Generate processes that enable co-creation in horizontal spaces, with the participation of non-traditional actors.
- In cooperation with the government, create processes to allow the creation of inclusive business that integrates a country's productivity agenda with the needs and potential of communities.
- Securing resources and the generation of relationships that must be established for the success of projects.

Investment and financing

Most investors will back social enterprise, but abandon companies that apply investment to projects due to the time lapse in obtaining results. There is no formal government financing for inclusive business, however in practise certain cases of inclusive business have obtained funds from government programmes.

Steps that can be taken:

- Promote the development of financial tools to co-finance pilot costs. These must be accompanied by strong support with regard to technical and market viability and their potential for systemic change.
- Generate specific programmes, with financing, that enable the connection between countries' productivity agendas and social development policy.

The steps above will require work across the ecosystem for inclusive business. To do this in a way that is effective and relevant in the Colombian context, we recommend:

- Leverage linkage processes between existing actors with prior experience, such as: CECODES, CBIDF HUB and Minka-Dev.
- Create sectoral agendas, connected to the country's productive targets, which promote the development of large-scale articulation.
- Connect inclusive business processes with the post-conflict setting envisioned for the country.

Appendices

Appendix 1: Defining inclusive business

From the range of definitions used to explain what it means to do inclusive business, its key elements can be recognised:

- Viable business initiatives with a twofold purpose: on one hand, to contribute to eliminating poverty and improving the quality of life of excluded communities; on the other, to create benefits for the company.
- The involvement of poor populations in businesses' value chains, in a variety of roles: as consumers, suppliers, distributors and business partners.
- Presupposes the establishment of mutually-beneficial relationships.
- By contrast, it can also be said that inclusive business:
 - is NOT about philanthropic strategies with no added value for the company;
 - does NOT mean “making business out of the poor,” leading communities to become consumers of products and services which do not improve their standard of living;
 - is NOT a business strategy which loses sight of the principles of social responsibility, disregarding its social and environmental impact; and,
 - when communities are in the role of consumers, does NOT seek to drive greater consumption through increased debt.

At the heart of the inclusive business concept is the idea of creating opportunities for poor communities to have access to formal markets as active participants, thereby benefiting from access to quality goods and services which improve their standard of living at a cost they can afford. This purpose throws into relief the fact that flaws in the market do exist, which prevent certain communities from having access to the benefits of market participation.

In general terms, and from the perspective of overcoming poverty, the logic behind inclusive business can be synthesised as follows:

- **Problem:** the existence of inefficiencies in the market which prevent poor communities from gaining unrestricted, efficient access to goods, services and exchanges necessary for a life of dignity.
- **Mechanism and actors:** if companies recognise the role of economic actors in low-income communities, and acknowledge the inefficiencies in the market that constrain them, they can develop business initiatives which address such inefficiencies.
- **Results:** these business initiatives will create inclusion for poor communities in formal economic circuits. At the same time, as the company seeks to correct these inefficiencies, a process is generated within the company of innovation, product development and market growth.

This logic is driven by the fundamental belief that there is a possibility for mutual value creation. This means that value will be created for poor communities through the development of inclusive business. Also, serving these markets is an economically viable business strategy. In this respect, inclusive business initiatives consider that corporate know-how can be used for the common good, and that the simultaneous generation of both social and corporate value is possible. There are various definitions promoted by key actors in Colombia. The below are summaries of the most widely used.

Growing Inclusive Markets, United Nations Development Programme

Inclusive business models include the poor as clients, on the demand side, and as employees, producers and business proprietors at different points in the value chain, on the supply side. These models build bridges between companies and the poor for mutual benefit. The benefits of inclusive business models transcend immediate benefits and higher earnings. For companies, these benefits include the stimulus to innovate, the creation of new markets and the strengthening of supply chains. And, for the poor, they create greater productivity, sustainable income and heightened empowerment.

Colombian Business Council for Sustainable Development (Local Chapter of WBCSD)

Inclusive business refers to business initiatives that are economically viable, environmentally and socially responsible, that incorporate low-income communities into their value chains through the logic of mutual benefit, improving their quality of life. An inclusive business is established through the relationship between a company – an “anchor” company – and one or more local entrepreneurs or groups of consumers, seeking to maximise both social and economic value. It is here that the concept distinguishes itself from other efforts, which are also valid and important, such as philanthropic schemes, that act in areas outside the company’s main business activity and which do not necessarily seek to generate financial returns or build structures of economic sustainability over time.

The company incorporates low-income people as business partners, as suppliers of raw materials or distribution services, or as consumers when the company puts products and services on the market that meet the needs of low-income people under affordable conditions.

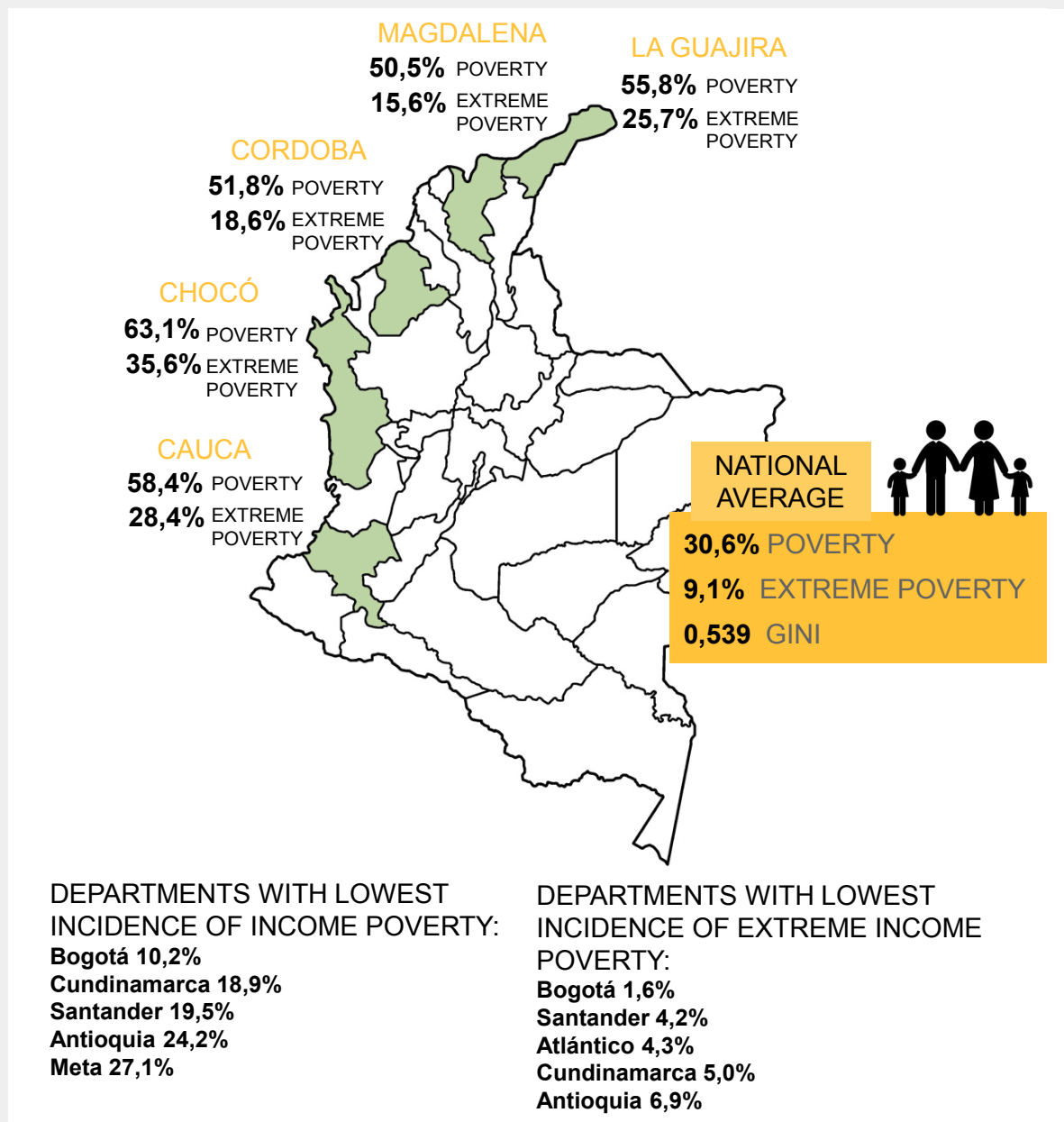
Inclusive business refers to initiatives that are economically viable as well as environmentally and socially responsible, that use market mechanisms to improve the quality of life of low-income people, by enabling:

- Their participation in the value chain as agents adding value to goods or services, suppliers of raw materials, or salespeople/distributors of goods or services; and/or
- Their access to basic services or basic unmet needs at a higher quality or a lower price; and/or
- Their access to products or services that allow them to enter a “virtuous circle” of opportunities to do business or improve their socioeconomic situation.

Inclusive business, which may be promoted by both the private sector and the social sector, seeks to contribute to overcoming poverty in an innovative way by incorporating low-income citizens into a value chain, with the intention of providing benefits to all parties involved: for entrepreneurs and micro-businesses by securing business and income opportunities; for the company by strengthening its supply and distribution chains and for society as a whole, because in addition to the economic impact, these initiatives seek to create social value and a positive environmental impact.

Appendix 2: Poverty and inequality across departments

Income Inequality – between departments (2013)



Source: GIZ (2015): Inclusive Business: An Overview of Actors, Ecosystems and Business Models in Mexico and Colombia, p. 29

Appendix 3: Framework for understanding the inclusive business ecosystem

Thanks to the understanding that the business world is not static and fragmented, but rather dynamic and systemic, in recent years it has become increasingly common to hear about corporate ecosystems. In the field of inclusive business, two important references are available that aid understanding of the meaning of these ecosystems in this context.

For Christina Gradl and Beth Jenkins (2011), the inclusive business ecosystem can be understood as interdependent, interconnected communities or networks of actors, whose activities determine whether or not a company's inclusive business model will be successful.

This definition recognises eight typical actors that form part of the ecosystem: individuals that purchase goods and services, and who invest in business; companies that develop new business, new products and new services; governments that adopt new policies and regulations; business Associations and other articulators, who provide information, and market access; non-governmental organisations who raise sensitivity and awareness; donors and collaborators; the academia and other research institutions and finally, the Media.

Alternatively, the UNDP (2013) proposes an Inclusive Business Ecosystem Diamond suggesting that there are four primary functions that are required to support inclusive business. They are: information, investment, incentives and implementation support.

Taking these developments as a point of departure, and considering reflections based on interviews regarding the processes that are needed for inclusive business to be promoted and put into practice, the following approach was used to analyse the inclusive business ecosystem:

- Processes that must be carried out
- Activities involved, and
- Actors that may participate in them.

Typical actors in inclusive business may be involved in different processes. Six processes were identified that must be carried out within the ecosystem and provided a basis for further analysis:

- Concept promotion
- Actor articulation
- Interfacing (facilitating the dialogue between communities and businesses)
- Business development must be strengthened and supported
- Financing at design, pilot, replication and scale phases
- Knowledge generation

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