

SPOTLIGHT

on Inclusive Business



Logic of the Business Innovation Facility:

The rationale for donor support to inclusive businesses via the Business Innovation Facility.

This document explains the logic behind development funds being spent in support of inclusive business.

Inclusive business (IB) is profitable, core business activity that also expands opportunities for people at the base of the economical pyramid (BoP): either as producers, suppliers, employees, distributors, or as consumers of affordable goods and services. It offers the potential to scale up commercial solutions to development challenges. That is why it is of interest to development practitioners as well as business.



BIF-supported Universal Industries, Malawi

“Besides the excellent work and insight the Department for International Development (DFID) BIF team has brought to the project, the engagement of DFID BIF has also been important because of the credibility it has created, both internally and externally.”

Feedback from BIF-supported company

Inclusive Business Spotlights shed light on specific topics concerned with the development of inclusive business. They are generated from the project and advisory work of the Business Innovation Facility and Innovations Against Poverty.

How is inclusive business good for development?

Step 1: direct business impacts at the BoP



BoP = people at the base of the pyramid

1



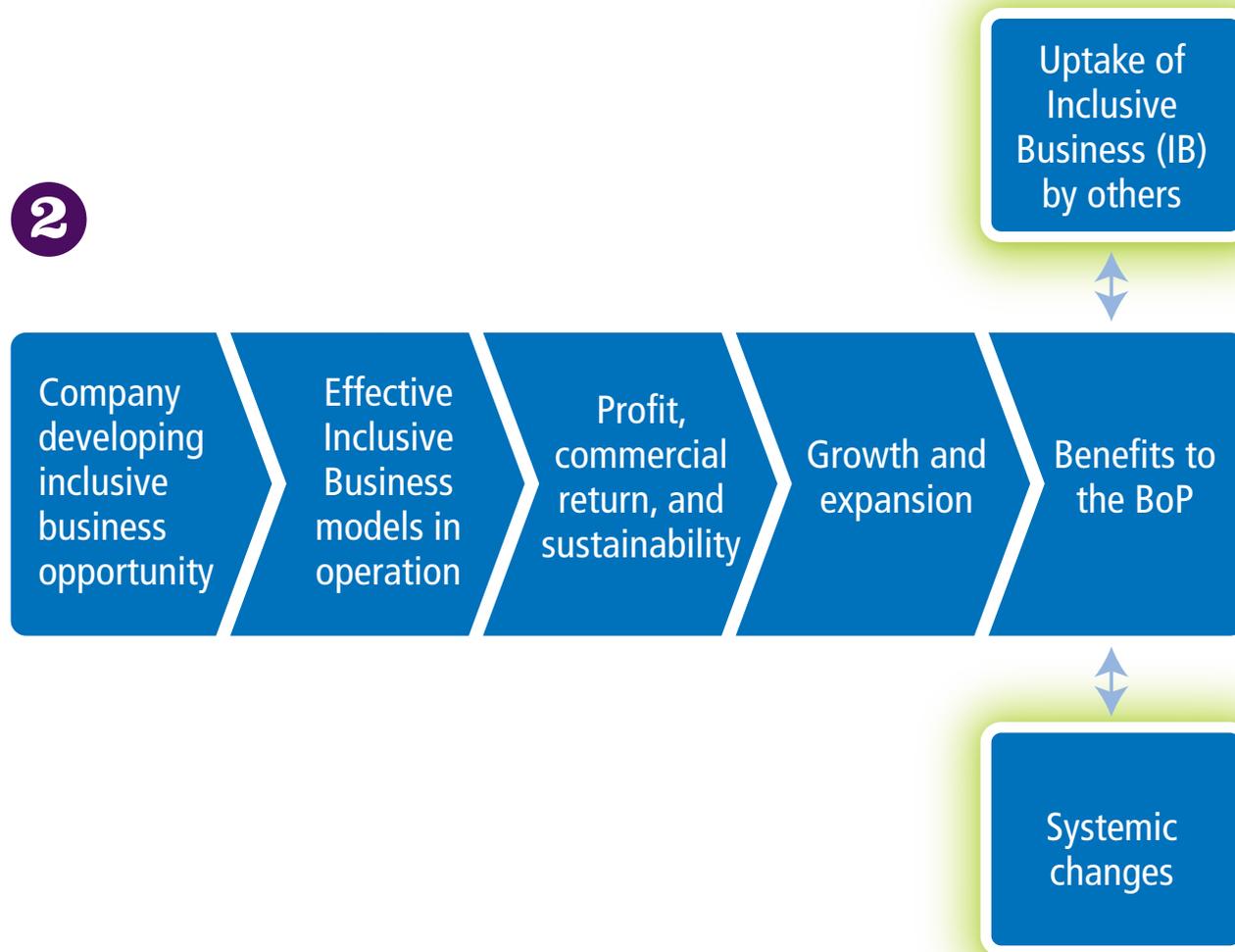
Inclusive businesses directly engage and benefit people at the 'base of the pyramid' (BoP). Because the pro-poor opportunity is also a business opportunity, it can grow, evolve, and adapt in new markets. With the right creative drive and commercial impetus, and without on-going subsidy, an inclusive business can benefit thousands or millions of disadvantaged people, year on year.

How is inclusive business good for development?

Step 2: knock-on impacts



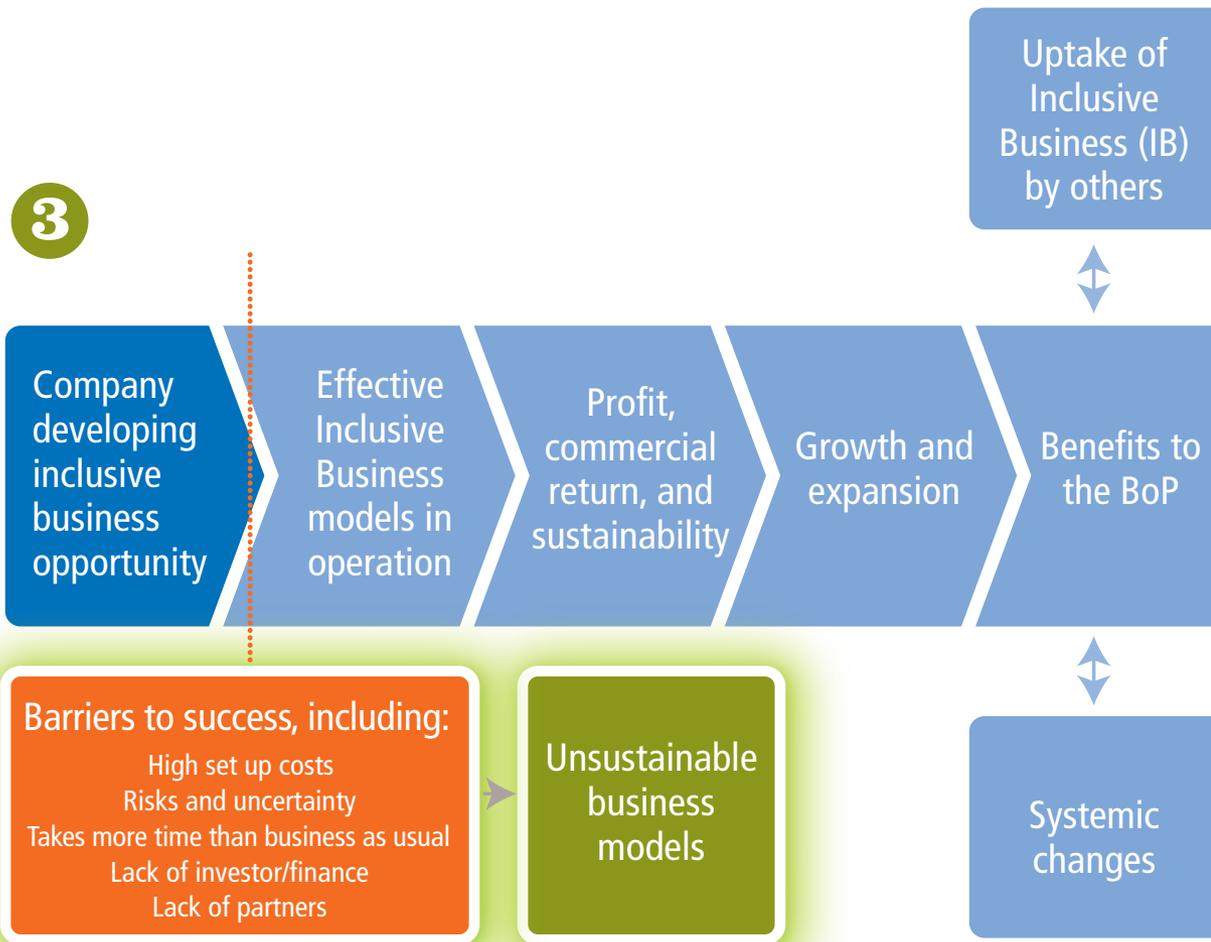
2



A successful business will directly reach people at the base of the pyramid, but when other replicate, adapt and adopt the business model, the number of beneficiaries increases even further. Inclusive businesses can create additional positive affects on development by catalysing 'systemic change' such as changes in market norms or regulation. These may affect how other actors invest in the base of the pyramid, the quality of provision, or affect the speed and direction of the sector as a whole.

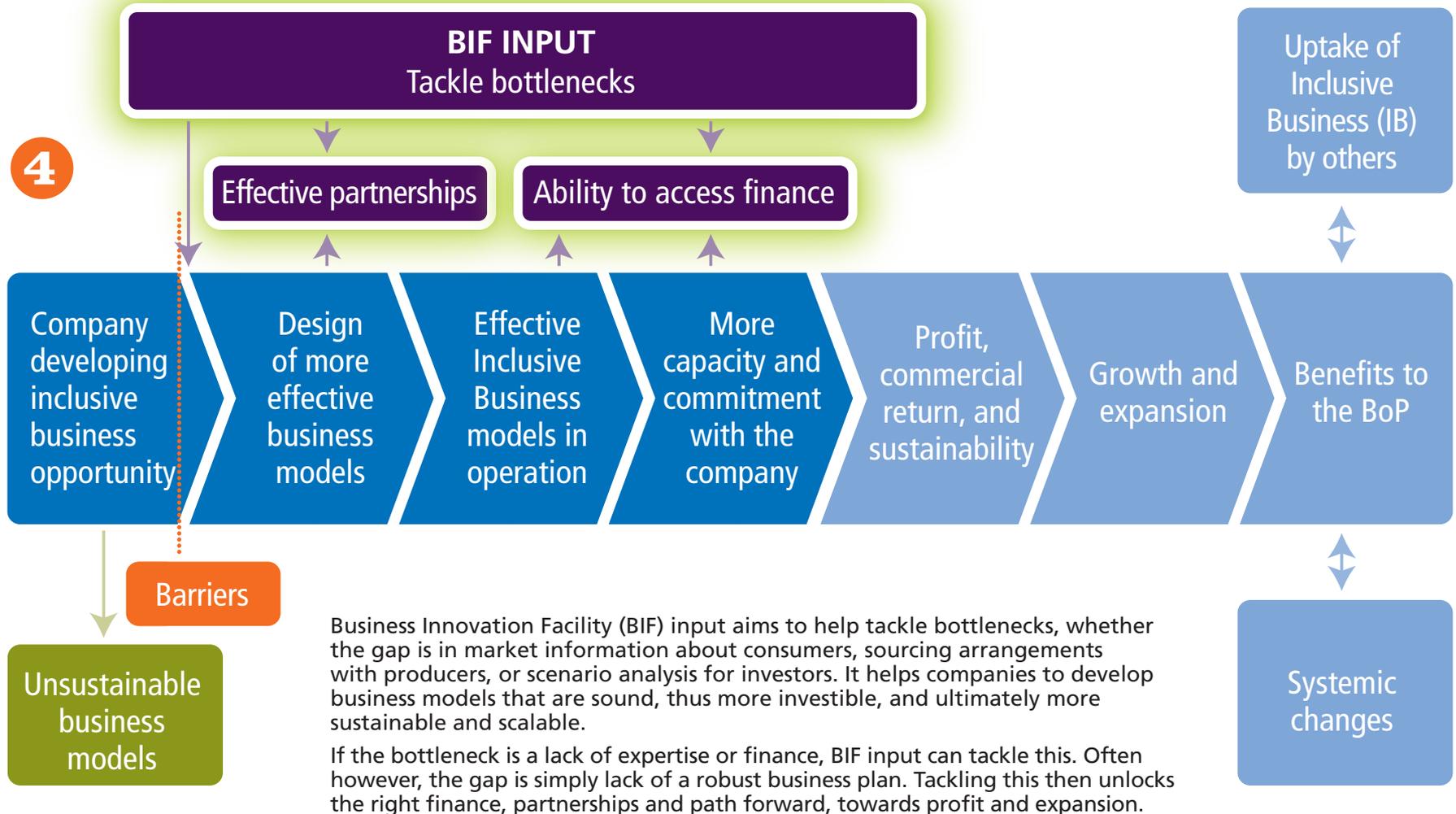
So is there a problem?

Barriers and unsustainable models

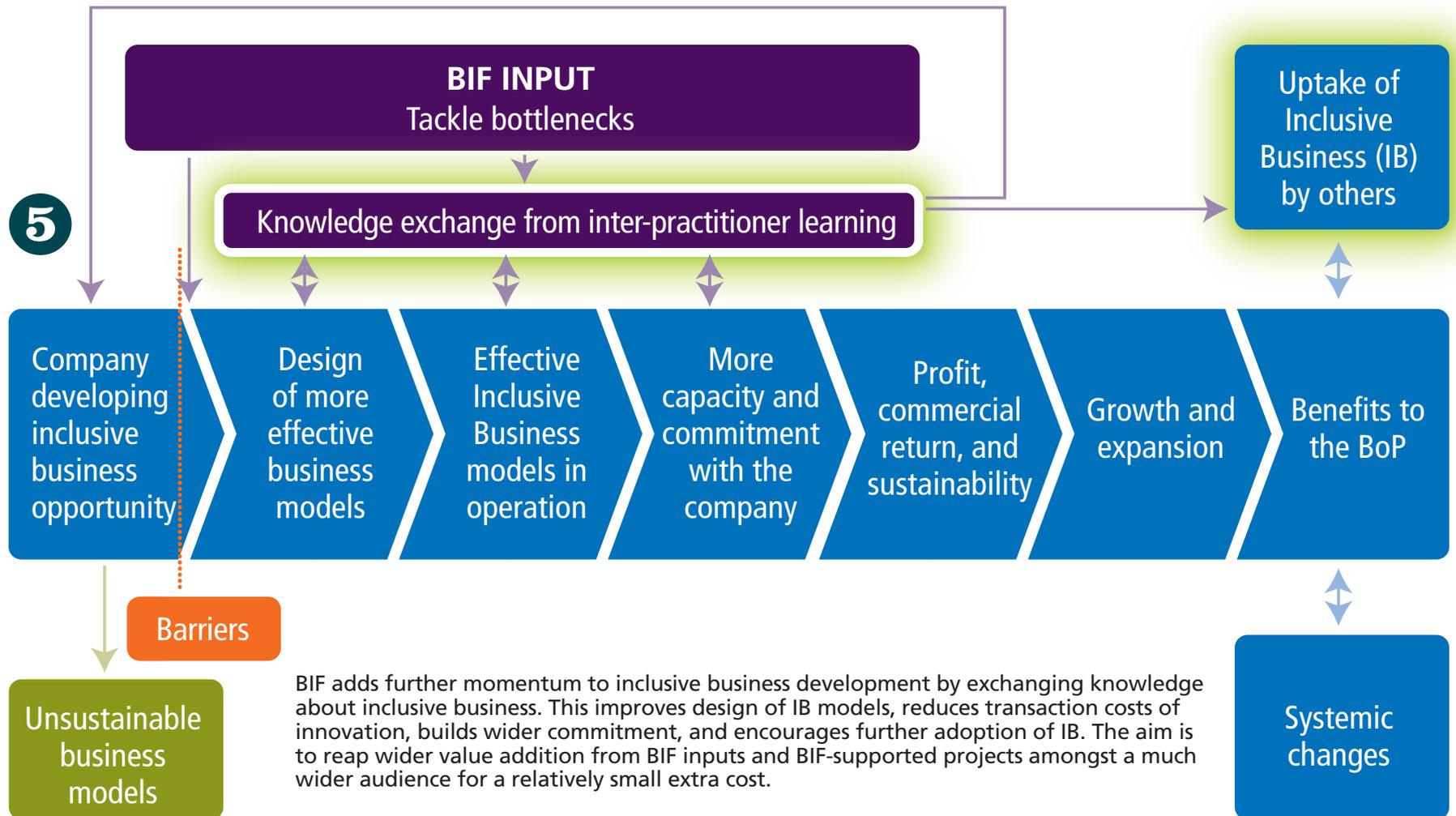


Companies face a number of challenges as they progress from initial ideas to scaled solutions. These range from a lack of information on potential markets, to a lack of internal skills or external partnerships for successful implementation. Or just the plain fact that strong revenue and growth models in this market take trial, error and innovation. The net result is high risk, lack of investment and slow progress. If the business model is not right, the venture ultimately stalls.

So how does the Business Innovation Facility help? Part 1

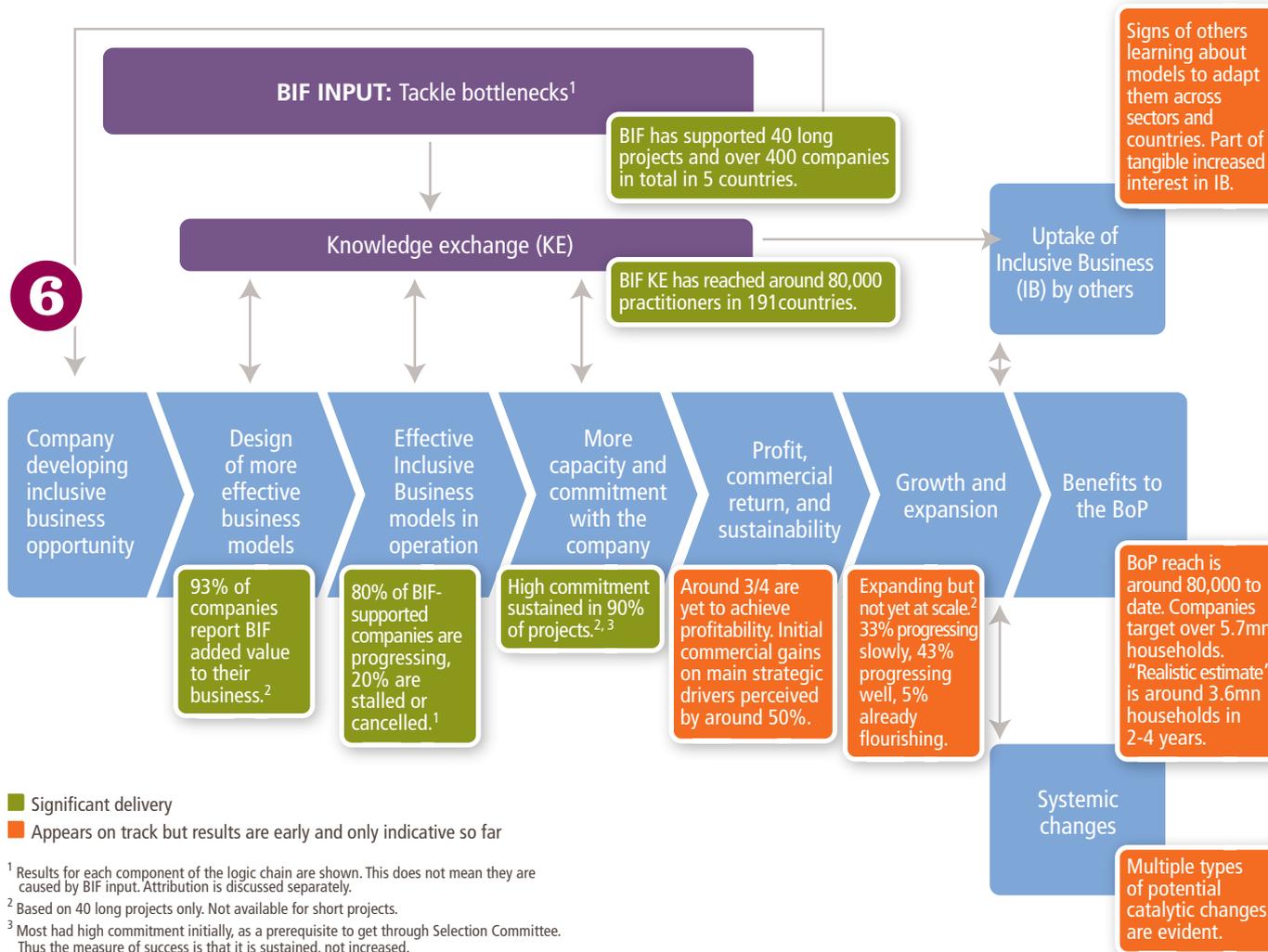


So how does the Business Innovation Facility help? Part 2 Exchange of Knowledge



BIF adds further momentum to inclusive business development by exchanging knowledge about inclusive business. This improves design of IB models, reduces transaction costs of innovation, builds wider commitment, and encourages further adoption of IB. The aim is to reap wider value addition from BIF inputs and BIF-supported projects amongst a much wider audience for a relatively small extra cost.

Business Innovation Facility progress to December 2013



This final version of the logic chain shows the overall progress of the Business Innovation Facility – as it stands at the end of the three and a half year pilot. So far we are able to say that the initial steps in the chain show good sign of delivery – taking into account that a share of business failures was expected because there was an explicit appetite for risk. Achievements further along the value chain remain to be delivered, although a foundation is clearly there.



Additional Resources

Further information on the Business Innovation Facility and the companies supported from 2010-2013 can be found on:

www.inclusivebusinesshub.org

Other related publications include:

Spotlight: Ingredients and results of inclusive business: Findings from the Business Innovation Facility pilot

www.inclusivebusinesshub.org/inclusive-business-hub-publications/

Snapshot: Review of the Business Innovation Facility Project Portfolio: Results and trajectories of inclusive businesses at the end of a three year pilot

www.inclusivebusinesshub.org/inclusive-business-hub-publications/

Spotlight: What is Inclusive Business?

www.inclusivebusinesshub.org/inclusive-business-hub-publications

Spotlight: How we track results from the Business Innovation Facility portfolio

www.inclusivebusinesshub.org/inclusive-business-hub-publications/

Review of the Business Innovation Facility portfolio: assessing results and trajectories of inclusive business (full Portfolio Review)

www.inclusivebusinesshub.org/business-innovation-facility-publications/



This Spotlight was created by **Caroline Ashley**, Business Innovation Facility.



➔ For further information and more resources on inclusive business visit the: www.inclusivebusinesshub.org

We welcome feedback on our publications – please contact us at enquiries@inclusivebusinesshub.org

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