



Adding value to innovation?

Lessons on donor support to inclusive business from the Business Innovation Facility pilot

Foreword

'No cash?' Sometimes business people seemed surprised at first that the Business Innovation Facility (BIF) pilot offered no cash, no grants, no financing and yet expected to support their journey in inclusive business. Some walked away. But others have engaged with the BIF pilot and developed productive partnerships. Since early 2010, we have been working in the BIF team, immersed in the intriguing journeys of inclusive businesses in Bangladesh, India, Malawi, Nigeria and Zambia. The pilot provided technical support to the businesses, monitored their progress, and shared lessons from their business models with others.

BIF, a programme funded by the UK Department for International Development (DFID), started as a pilot programme, designed to test an approach to donor support to inclusive business. It provided hundreds of inclusive businesses with technical and advisory support, which meant that the BIF team was truly inside the 'engine' of business. Lessons were learned not through formal research, but through reflection and learning with and from practitioners. The BIF pilot generated valuable lessons that are captured in this report and its companion piece, *'The 4Ps of inclusive business'*.



Copies of this report can be downloaded from the Practitioner Hub on Inclusive Business:
bit.ly/BIFfindings

Acknowledgements

In this report, we capture the thinking and experience of many people who have worked with the Business Innovation Facility during the three and a half years of the pilot phase (hereby referred to as "BIF" or "BIF pilot"). First and foremost, the report would not have been possible without the collaboration and agreement from the businesses who have received BIF support to share their lessons and examples.

BIF Country Managers, BIF UK team members and consultants who have provided technical support have all been instrumental in bringing together the thinking in this report. BIF lessons for donor programmes first crystallised in late 2011, when the BIF team including the former project manager Ellen Carey drew together initial reflections. More recently, much of our learning was crystallised in a week in June 2013 when the BIF Country Managers, Soji Apampa, Nisha Dutt, Parveen Huda, Andrew Kamboke and Karen Smith, as well as the BIF UK team and Georgina Turner (our agribusiness expert) spent a week together discussing cross-cutting findings. A quick look at the report will show there has been much crunching of data and designing of diagrams to make it work, for which we thank Jack McMahon and Adriano Scarampi, for their tireless work. Thanks also to Chris West, Mark Winters, Jack Newnham and Cristina Bortes who have all provided invaluable inputs, feedback and ideas, and to Clare Convey, Caroline Holmqvist and John Paul for turning raw text into this final report.

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BoP: Base of Pyramid

BIF: Business Innovation Facility
(pilot phase, 2010-2013)

TA: Technical Assistance

Exchange rate used: GBE1:US\$1.6

Executive summary

This report, which is drawn from lessons arising from the Business Innovation Facility (BIF) Pilot, is aimed at anyone who has a role in supporting the development of inclusive business in a facilitative role. This will primarily be a donor or other public agency that is designing 'private sector development programmes', but it could also be an active investor, incubator, or non-profit that supports such businesses, particularly if deploying technical assistance (TA). We draw on what worked well and not so well in the BIF pilot, with the aim of providing readers with insights for effective support to inclusive business.

The report describes the two main tools used to support inclusive business – technical assistance and knowledge exchange. It explores the assumptions that underpin the BIF pilot approach: that technical support and knowledge exchange can assist companies on their inclusive business journey, and that company progress can deliver social goals at the base of the pyramid.

The term 'inclusive business' refers to profitable core business activity that tangibly expands opportunities for the people at the base of the economic pyramid (BoP): as producers, suppliers, workers, distributors, consumers – or as innovators.

Technical assistance can help inclusive businesses to develop faster and/or build more robust business models

The vast majority of companies are positive about the value added by technical assistance from BIF, and 50 per cent report that their business development is bigger, better or faster due to BIF support.

If donors are willing to take risks, technical support can have strong returns, though it must be carefully packaged and tailored. It can be as useful to large established companies as start-ups, particularly in early stages of inclusive business ventures.

Inclusive business can have significant social impact – directly on lives of people at the BoP and catalysing wider market change

Our 'best-guess' estimate is that the overall portfolio should reach 3.7 million households within five years of the start of BIF support. The vast majority will be reached as consumers. These estimates are revised down (for realism, based on business progress) from several millions estimated by companies.

People at the BoP reached by inclusive business in the BIF portfolio include those living on under and over \$2 per person per day.

Companies are enabling other firms to engage efficiently with BoP producers or consumers up and down the same value chain, or imitating similar innovation developed in other markets.

Knowledge exchange can be efficiently incorporated into a technical assistance programme

Technical support combines well with a mandate to generate and exchange knowledge. It is precisely because BIF provides business consultancy on the 'nuts and bolts' of business model development that it is well positioned to draw out findings and use these to support practitioners who are working on inclusive business. Knowledge exchange has reached another 85,000 practitioners globally, with feedback that suggests eagerness to learn about and use the models of others.

Technical assistance and programme management needs to be differentiated, well designed and targeted

Inclusive business is not 'business as usual' and companies benefit from TA projects as long as the companies also receive support in the design of the projects and a flexible tailor-made TA offering. Sourcing and scoping the TA input is a substantial part of programme management.

Estimating results of support to inclusive business is useful but a challenge

Skills of companies and needs of donors for reporting differ. The attribution of TA is hard to assess and a 3.5 year timescale is too short to properly assess results. Using current data, we have made various estimates:

- By Year 4/5, the portfolio could reach 3.7 million BoP households, of which 1.5 million could be plausibly linked to BIF input (allowing for success). On this basis, BIF spend per BoP household reached with BIF support would be around \$4 by Year 5.
- In addition to direct BoP reach, businesses can catalyse wider change which can ultimately be highly significant to people at the BoP.
- BIF spend per Practitioner Hub visitor is under \$3, BIF spend on all knowledge is around \$10 per person reached.

Such early findings are useful for planning future support to inclusive business. However, each of these would require further robust assessment to validate findings and continue learning lessons for other facilitators of inclusive business.

1

Introduction: learning from a pilot programme

- > The BIF pilot was a DFID-funded programme that supported inclusive businesses in five countries.
- > BIF was distinctive in two ways: (1) It provided technical assistance to businesses, not finance; (2) It had a mandate to learn and share lessons across sectors and countries.
- > The purpose of this report is to share findings from the BIF pilot with those facilitating inclusive business.

1.1 What was the rationale of the BIF pilot?

This report explores the lessons learned from BIF support to inclusive businesses across five countries – Bangladesh, India, Malawi, Nigeria and Zambia – over the past three and a half years. BIF had unique characteristics as a programme, combining technical and advisory support to businesses with a mandate to document and share findings from inside the company, as the business models developed. In donor parlance, this placed BIF as a programme that offered ‘technical assistance’, in contrast to many other donor programmes that offer financial support in the form of grants or loans (see Box 1). The aim of the learning component of BIF’s work was to help other practitioners learn from each other and accelerate the learning curve, while also identifying lessons for donors on how to support company-led inclusive businesses.

BIF was designed within DFID in 2009, and started operation in mid-2010 through a consortium led by PricewaterhouseCoopers UK (PwC)¹. The BIF pilot, from which we draw lessons for this report, ended in December 2013. The next phase of BIF has already commenced operation in Malawi and Myanmar at the time of writing. This new phase of BIF builds on what was done and learnt in the pilot, but is adopting a more explicit market systems approach and has more emphasis on locally governed in-country programmes (see Section 5.2 for further detail).

The underlying assumption of BIF was that companies can benefit people at the base of the economic pyramid (BoP) but face a number of challenges as they progress from initial ideas to business at scale. External (donor) support can help companies unblock those bottlenecks to create business models that are sound, investible and ultimately sustainable and scalable. This underpins the logic chain for the BIF pilot, shown in Figure 1 (overleaf).



Afri-Nut, one of the inclusive businesses considered in the first Selection Committee, October 2010

Dealing with definitions: inclusive business and technical assistance

The term ‘**inclusive business**’ refers to profitable core business activity that tangibly expands opportunities for the people at the base of the economic pyramid (BoP): as producers, suppliers, workers, distributors, consumers – or as innovators. ^R

‘**Technical assistance**’ (TA) is the term used for the range of support provided to inclusive businesses by BIF. It was practical input via a consultant, or team that worked on a specific task, in collaboration with the business. In business parlance, the input could be equally described as ‘consultancy support’. Providers of the TA were sourced locally, regionally or internationally based on the expertise required, and termed ‘TA providers’. In addition there was a range of more general advisory support provided by BIF, particularly by the Country Managers who managed each TA-team, had regular contact with the company, and organised ‘light-touch’ TA for clusters of companies.

‘**Knowledge exchange**’ covers a range of work to facilitate dialogue between practitioners, to identify lessons about implementation and facilitation of inclusive business, and share findings and ideas with others. There is no easy equivalent in business language beyond perhaps networking or dialogue.

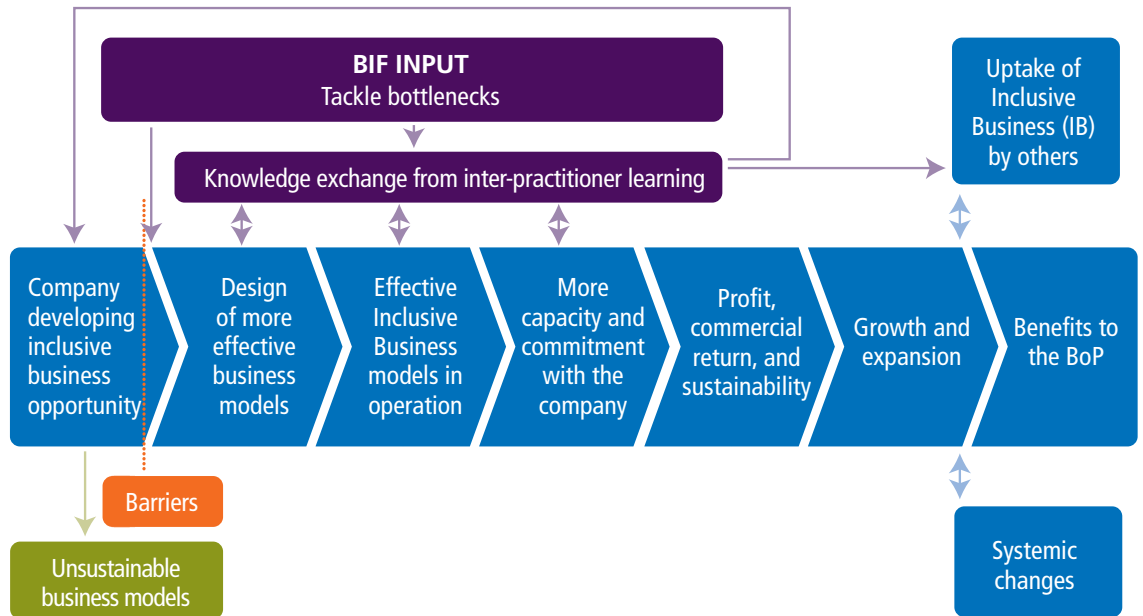
Box 1

Resources ^R

The Spotlight ‘*What is Inclusive Business*’ defines the term and describes types of inclusive business models bit.ly/1Bdefinition

¹ BIF Consortium Partners included: Accenture Development Partners, the International Business Leaders Forum and later on Challenges Worldwide

Figure 1: Logic chain for BIF support to inclusive business



R Resources

'The 4Ps of inclusive business' is a companion publication, drawing together findings on inclusive business models that work – or don't – and the journeys that companies are making. It looks at the challenges and importance of creating a viable business model, and the time needed to deliver results at scale bit.ly/4PsIB

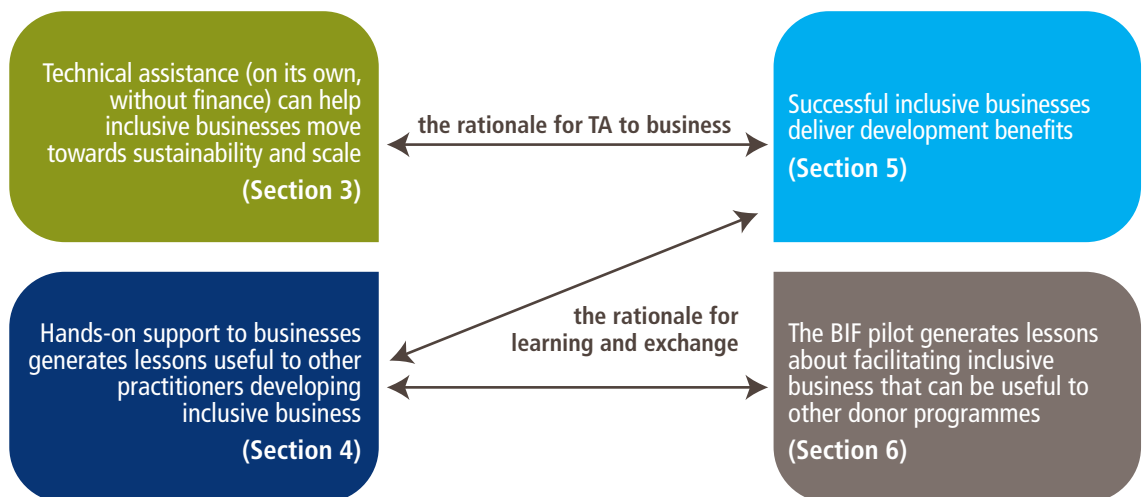
With an international network of TA providers and a local presence in five countries, the team worked with over 300 companies over three and a half years. Almost 100 of these received direct one-to-one technical assistance, in the form of consultancy inputs. 40 of these, classed as 'long projects' received intensive input for between three and 24 months. The 'long projects' were selected on certain criteria including the commercial rationale, potential for development impact, degree of innovation and the need for external support. This report and its companion piece, *'The 4Ps of inclusive business'*, focus primarily on the findings and lessons from these 40 inclusive businesses for which we have more comprehensive data and insights. **R**

1.2 What is the purpose and structure of this report?

This report explains the two instruments used by BIF – technical assistance and knowledge exchange – reporting on what was done, what results were achieved, and what we think worked well or not so well. We explain results from the business or practitioner point of view, based on their feedback, to assess whether donor input added value to the inclusive business. Then we stand back to reflect on whether the progress of the businesses delivers value from a donor point of view, through the contribution it makes to poverty reduction and development. We consider the specific inputs, outputs and cost effectiveness of BIF. Finally we also take a wider perspective to identify the implications for the improved design and operation of future programmes that support inclusive business.

The report is structured to report back on four assumptions that underpinned the design of BIF and were tested in the pilot. These assumptions, and how they relate to each other and the report, are illustrated in Figure 2.

Figure 2: Assumptions underlying BIF explored in this report



As a pilot, BIF tried many different things and was not bound by a strong focus on any particular market, type or size of company, or maturity of company. We were able to take risks in terms of the uncertainty around where many of these inclusive businesses might 'go', as long as our criteria for providing support were met and we could learn from the work we were doing. This resulted in a diverse portfolio, which is a useful point to bear in mind when reading the report.

What emerged, even with this very open approach, was the centrality of the business model that a company develops in order to reach new low-

income customers or procure products from poor suppliers. We share our learning about these inclusive business models in our report **'The 4Ps of inclusive business'**, but it is also highly relevant to this report. The centrality of the business model underpins the case for – and design of – TA. Furthermore, if there is no sustainable business model, then there are no long term development benefits for poor people, the lessons that we can pass on to other practitioners are limited, and the whole approach that BIF piloted comes into question as a donor instrument. Box 2 summarises the main content of the **'The 4Ps of inclusive business'** report, which is relevant to readers of this report.

The 4Ps of inclusive business: How perseverance, partnerships, pilots and passion can lead to success²

'The 4Ps of inclusive business' is a companion publication, drawing together findings on inclusive business models that work – or don't – and the journeys that companies are making. It looks at the challenges and importance of creating a viable business model, how it evolves in different directions and the time needed to deliver results at scale.

It is for anyone involved in developing or supporting inclusive business. We hope it provides knowledge and insights on how companies are progressing on their inclusive business journeys – each one distinctive, yet each discovering challenges and solutions that resonate with others.

It covers a number of important themes and presents a number of key findings:



Themes	Findings
<p>Putting together inclusive business models that work</p> <ul style="list-style-type: none"> • The business model jigsaws of consumer-focused ventures • Fitting the pieces together for a sustainable consumer model • The business model jigsaw of producer-focused ventures • The tough task of fitting together producer models 	<ul style="list-style-type: none"> • Inclusive business requires more innovation and perseverance than may be expected, and more than may be needed in 'conventional' business • Getting the right business model is like putting pieces of a jigsaw together and may need multiple pilots and reiterations • Partnerships are often critical and need to be well managed
<p>Navigating the inclusive business journey</p> <ul style="list-style-type: none"> • Adapting the model, adopting a zigzag • Journey of a decade • Ten reasons inclusive business gets delayed or stalled 	<ul style="list-style-type: none"> • The inclusive business journey is long and can take unexpected 'zigzag' directions • It generally takes 10 years from inception to scale
<p>Business success: commercial and development results being delivered so far</p> <ul style="list-style-type: none"> • Companies' strategic drivers • Commercial results • Benefits to people at the base of the pyramid • Reaching scale 	<ul style="list-style-type: none"> • Commercial results are emerging, but early stage • The strategic reasons for investing in inclusive business appear strong • The reach to people at the base of the pyramid is likely to grow from under 100,000 to some millions over the next few years • Inclusive businesses can reach people at the BoP who are underserved by existing markets and generally live on around \$2 or less per person per day

Finally, it also draws together some of the implications for inclusive business that have emerged from the BIF pilot.

Box 2

² Available at bit.ly/BIFfindings

2

Context: the portfolio of inclusive businesses and technical support provided

- > The BIF pilot was concentrated in five countries. Within those countries, it was intentionally diverse, spanning a range of sectors and company sizes, from domestic start-ups to multinationals.
- > The portfolio is evenly balanced between inclusive business models that engage people at the BoP as producers (who sell produce or labour), and consumers (who purchase goods or services).
- > Most of the inclusive business models supported were at the stage of pilot or early operation. The host company may have been long-established, but support was specific to the inclusive business initiative.
- > Technical assistance given to 40 businesses in 'long projects' was wide-ranging, focused on helping develop the business model and business planning. Over 300 other companies received light-touch support.

2.1 A diversity of inclusive businesses selected for support

The BIF portfolio was diverse and was intentionally set up with the flexibility to support businesses of different sizes and in different sectors in five contrasting countries. Details of the portfolio are given in Annex 1, while some key features are introduced here.

Figure 3: Geographical spread of long and short projects across five countries

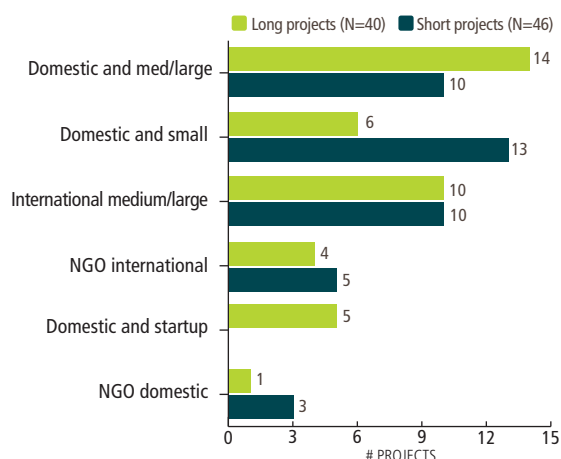


NB: The projects included in this diagram are just an illustrative selection from the full portfolio for each country listed on the Practitioner Hub. They are not representative nor indicative of any status within the portfolio.

As a pilot with a learning agenda we aimed for a portfolio that was diverse. The businesses we worked with came in all shapes and sizes, ranging from start-ups to large multinationals (MNCs), plus a small number of NGO-led initiatives that aimed to implement a commercially viable model. The largest group in our portfolio are medium/large domestic companies (accounting for 14 of our 'long projects' and 10 'short projects', see Figure 4, which is perhaps surprising given that this group seem to get less attention in the inclusive business literature, where smaller 'social enterprises' or established MNCs seem to be more commonly discussed.

Businesses are spread across several sectors, though with a heavy concentration in food and agriculture (50 per cent), followed by energy and infrastructure (18 per cent), see Figure 5.

Figure 4: Number of projects per type of lead organisation



Just over half the businesses seek to engage people at the BoP as consumers, selling them appropriate and affordable products and services ('consumer-focused models'), and just under half engage them as producers or entrepreneurs in their value chain, providing income and market opportunities ('producer-focused models³'). In most cases, the producers are smallholder farmers selling crops, livestock or fish into a supply chain. Seven of the producer-focused businesses and two of the consumer-focused businesses engage a high proportion of women.

Almost two thirds of portfolio companies have been well established for decades, but their inclusive business is new. In such cases it is the inclusive business (only) that BIF supported, analysed and reports on here. In just over a third of the portfolio, the inclusive business represents the entire company. The former category includes some multinationals, while the latter are more likely to be 'social enterprises'. Whereas some other donor initiatives tend to focus on one type or the other, the BIF portfolio explicitly includes those that are 'diversifying-into-IB' (an established medium/large company that is diversifying into inclusive business) and 'core-IB' (inclusive business is the core business model of the company).

Summary of BIF engagement with companies

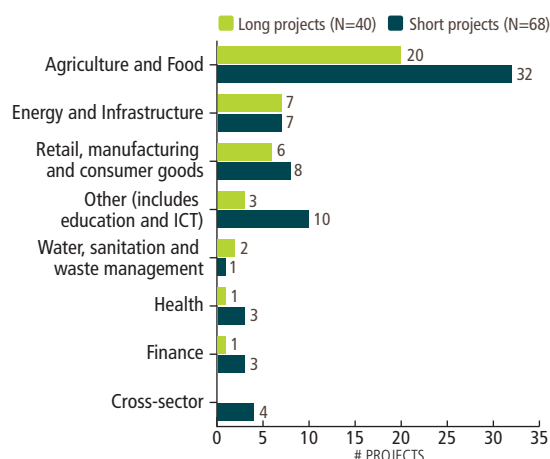
Forty inclusive businesses received intensive technical support from three to 24 months. These are 'long projects' and the average BIF spend was approximately £45,000.

Forty-six companies received direct support through 'short projects' with an average BIF spend of £10,000. Twenty-two additional 'short projects', which were mainly in-country workshops, reached a cluster of companies in the same five pilot countries, totalling around 300 companies.

BIF knowledge exchange activities reached a further 85,000+ practitioners, through reports, events and the Practitioner Hub (www.businessinnovationfacility.org). The majority of visitors to the Practitioner Hub are from the South and from the private sector.

Box 3

Figure 5: Number of projects by sector of operation



NB: The agriculture and food projects mainly engage smallholder farmers as producers who sell produce, but in four of the 20 long projects and six of the 32 short projects, they engage farmers as consumers of services.

2.2 Technical assistance provided

Through the life of BIF pilot, 40 companies received intensive technical support, technical advice, business consultancy or advisory support – different words can be used, but we refer to it as 'technical assistance' or TA in short. These are referred to as 'long projects' elsewhere in this report and in other online BIF material online. In addition, hundreds of other companies received lighter touch TA. These are referred to as 'short projects'.

A host of organisations – ranging from the world's largest development finance institution, IFC, to small incubators and accelerators – supply TA to businesses, though often this is in *addition* to finance. Through BIF, DFID sought to target TA explicitly at businesses that were inclusive, had potential for viability, but were not proven – seeking the 'sweet spot' where DFID could reduce risk and improve viability enough to make a difference. Drawing lessons about the results of TA is definitely an art not science, because TA does not on its own deliver success – it achieves results by enabling a company to achieve more success itself. But with that major caveat in mind, the experience of BIF offers useful reflections on the value of TA that was provided.

For the 40 companies who benefited from 'long projects,' engagement with BIF usually started with some weeks or months of discussion with a BIF Country Manager based in one of the five pilot countries, during which time the inclusive business concept and need for TA was refined, and an application submitted to an independent Selection Committee based in London (for more on the operational processes underpinning BIF implementation see Section 6).

Drawing lessons about the results of TA is definitely an art not science, because TA does not on its own deliver success – it achieves results by enabling a company to achieve more success itself.

³ One business is primarily focused on BoP as distributors. For the purpose of this report, as the distributors are earning an income for providing a service, they are treated as producers. Several businesses have a secondary beneficiary group, which are often distributors or entrepreneurs. For the sake of simplicity, they are not covered here.

BIF selection criteria

For a company to qualify for BIF support in a 'large project', the Selection Committee (comprised of independent representatives from the public and private sector plus one DFID representative) had to be satisfied as to:

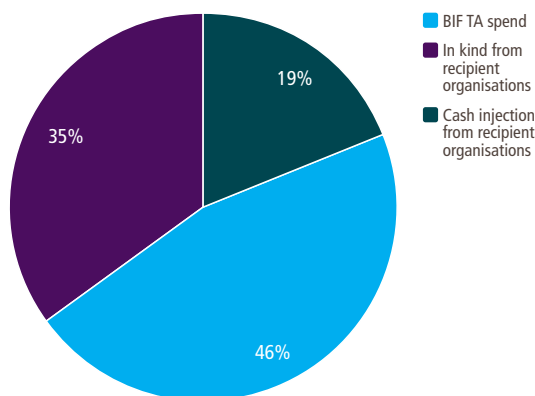
- the alignment with BIF's objectives (which included potential for innovation and of BIF additionality)
- that it was likely to have development impact
- that it had a strong commercial rationale and potential for viability.

Innovation was broadly defined and context specific, including also potential for both replicability and scalability of the model. The potential to be part of the company's core business was part of the commercial criteria, and the Selection Committee often gave this criteria the most attention. There were further criteria around the chances of success of the project, and the level of commitment shown by the company. This included direct cash contributions and other ways of demonstrating commitment such as the time that company staff would be devoting to the specific task in hand ('in-kind' contribution).

Box 4

This process alone often involved significant input and development of a company's inclusive business approach through dialogue between the BIF team and the company. Once a proposal was approved and the contract signed, the formal TA usually involved providing three to six months of intensive support, but sometimes with a lighter touch 'tail' of support over another six to 12 months. The cost averaged £450,000 of BIF TA plus a 'cost sharing contribution' from companies. The cash contribution from companies was less than 20 per cent of the total, but if their in-kind contributions are included, then the company cost was more than 50 per cent of the total (Figure 6). These company contributions to the specific task undertaken with BIF input did not capture total company investment in the inclusive business venture, which more typically averaged \$2 million.

Figure 6: Leverage of TA spend



The TA was provided by TA providers who were drawn from both within and beyond the BIF consortium. The majority (around 60 per cent), were based in the South, often within the organisation that provided BIF management in-country⁴ but when local expertise was not available it was sourced regionally or internationally⁵.

Figure 7 shows the primary areas of TA support for each business. The most common were business planning, financial modelling, supply chain development and market analysis. However, in most cases there was one primary area of support plus one to two other areas, and these rather generic categories do not capture the rich diversity of the TA that was provided, as illustrated in Box 5.

R Resources

16 Project Resources on the Practitioner Hub are public versions of deliverables created as part of TA to a company. These include the review of contract farming models, and a Toolkit for building SME supplier capacity bit.ly/HubProjectResources

⁴ Intelcap in India, Renaissance Consultants in Bangladesh, the Convention on Business Integrity in Nigeria, and Imani Development in Malawi and Zambia.

⁵ Regional and international TA providers were sourced through the BIF Consortium Partners (that included: Accenture Development Partners, the International Business Leaders Forum and later on Challenges Worldwide) or through a one-off search for specific skills.

The particularities of Technical Assistance

Some of the TA input was extremely specific to the business:

- one TA provider identified a technical solution to freeze drying a flower-based traditional drink so that a clean and safe 'instant' version can be marketed
- another reviewed the contract farming models that have been tried across the world and helped a company to identify the one that best meets their needs within their context
- another developed a tool for assessing the strengths and weaknesses of SME suppliers and helping them to identify training needs. R

Few TA inputs were listed or contracted as 'partnership brokering' but in fact this was integral to most inputs including those focused on business models, supply chain, demand, or organisational development.

Box 5

Figure 7: Types of primary BIF input



3

The value of technical assistance to inclusive businesses

- > TA helped companies to speed up their inclusive business journey and/or develop more robust business models. 50 per cent report high added value, and 40 per cent medium added value.
- > TA proved to be as useful for large well-resourced companies as for start-ups.
- > The flexible nature of BIF TA, tailor-made to each company, increased value. But some found its duration too short.
- > Compared to cash grants, a relatively small TA input under £50,000 (\$80,000) can have high value. However, TA cannot solve all the challenges inclusive businesses face.
- > Feedback on light-touch TA given through £10,000 (\$16,000) 'short projects' and workshops for a cluster of businesses was extremely positive.

3.1 Did technical assistance make a difference to companies?

Although the TA was diverse, the core focus was on helping the company to design, test or implement a more robust and sustainable inclusive business model. It is difficult to measure the value of this support and there may not be a clear counterfactual considering the zigzag journeys that we have described in our companion report, *'The 4Ps of inclusive business'*. Our evaluation is, therefore, mainly based on the perception of those who were closest to the BIF support: managers in the companies themselves, supplemented by the perceptions of BIF Country Managers who oversaw the BIF support, and TA providers, who delivered the technical assistance. We first focus on the 40 businesses involved in 'long projects' for whom much more monitoring data is available (see Box 6, overleaf, on portfolio monitoring).

As of December 2013, 80 per cent of the portfolio of 40 inclusive businesses was progressing and 20 per cent was stalled or cancelled. Those progressing ranged from 'flourishing' (5 per cent) to 'progressing well' (42.5 per cent) and 'progressing slowly' (32.5 per cent). ^R

Such diversity in performance was expected, and is in line with the risk appetite of the programme, although we had little estimate at the start of what proportion would be stalling or thriving. The description of the portfolio in Annex 1 includes examples of the varying levels of progress while *'The 4Ps of inclusive business'* report contains considerable detail on their commercial performance.

In addition to tracking performance of the business, BIF sought to assess 'additionality' – whether TA added value to the business; if so, why, and if not, why not.

High additionality

In 50 per cent of 'long projects', the added value, or 'additionality', of TA to the business scores as 'high.' In these projects scored as 'high' added value, companies say that due to BIF support, their inclusive business development was bigger, better or faster.

Illustrative feedback from companies in the 'high additionality' category include:

"I wouldn't know how to proceed with the business expansion. We wouldn't have a clear understanding of how to proceed. Now we understand what to do next."

Agricultural company (Zambia)

"The value chain analysis highlighted that there were going to be challenges that we had not anticipated when preparing the business plan. To a large extent the content of the report helped us mitigate some of the risks involved or else the project would have had serious problems to attain commercial viability."

Established agricultural company (Malawi)

"The BIF project helped highlight the need for access to finance among consumers seeking to purchase [product name] among [our] internal stakeholders."

"BIF support brought in access to wider resources and experience from outside the company."

Large company focusing on consumers (India)

"A key component of BIF support was to fund an in-depth supply chain study, which identified key farmer clusters and market dynamics within the different chosen crop value chains. This study has been the backbone of [our] local supply chain strategy."

"BIF also funded the design of marketing materials, including product labels, fliers and brochures; which we continue to lever today."

Agro-processing and food company (Nigeria)

Resources ^R

The 2013 *'Review of the Business Innovation Facility Portfolio'* shares the full M&E findings from inclusive businesses across five countries that have been supported by BIF since 2010. This deck of 85 slides covers facts, figures, comparisons and trends bit.ly/Portfolioreview2013

Monitoring the portfolio and assessing additionality

BIF's monitoring & evaluation (M&E) system was set up to gather and analyse data at the company, portfolio and programme level. The main types of results to track along the logic chain included characteristics of effective business model design and implementation, commercial results, development impacts, value of BIF support and uptake of knowledge exchange. Company reporting of results was a critical feature of BIF's M&E approach and our system was dependent on companies for most reporting on progress and results. However, in practice we made a great deal of use of other sources of information, including data which is not classed as "M&E" (e.g. TA provider feedback, team knowledge, contracts, knowledge outputs), as discussed further in Section 6.

Additionality is extremely difficult to assess for any donor programme, as ideally it requires knowledge of the counterfactual: what would have happened without donor input? It is particularly complex in this case. The businesses are unique and innovative, so there is no easy comparison as a proxy control group. Some donor programmes seek the development of a product or service that 'would not have happened' without the input. That is not what BIF sought as it would be counter-productive to develop business models that were excessively reliant on TA. BIF pilot logic was to support initiatives that were driven by companies, and to create additional value in two main ways: (i) through TA make the models more effective and sustainable, so as to increase prospects of viability and scale; and (ii) increase the company commitment or investment by sharing the cost and risk of early stage actions, such as piloting or market landscaping. Additionality can be thought of as improving the trajectory of the business over time. Ultimately this may make the difference between the business stopping or continuing (particularly given the percentage of start-ups that fail) but in many cases it simply changes the time to viability and steepness of the curve.

Given this, our assessment of additionality (the value of BIF support) looked for evidence that support had affected how the business developed. It was largely based on company response to the following options, in which options 1 and 2 are classed as 'high' additionality, option 3 is 'medium' and option 4 and 5 are 'low':

1. Without BIF support the project would have not progressed at all (Critical)
2. Due to BIF support, the inclusive business project is better designed, or proceeding more quickly, or bigger than it would have been (Bigger, better, faster)
3. BIF support was useful to us and made it easier to progress the project, although it has not resulted in specific identifiable change compared to what would have happened (Useful)
4. BIF support made no difference (Irrelevant)
5. BIF support had net negative results (Negative)

A BIF Satisfaction Index was also compiled based on a composite of different indicators such as company scoring of various benefits of BIF engagement, quality of TA inputs and whether they would recommend BIF to others. Based on this analysis, satisfaction with BIF is considered high for 40 per cent of long projects, medium for 42.5 per cent and low for 17.5 per cent.⁶ Such detailed scoring is not available for short projects.

For further information about BIF's M&E system see our publication on the M&E approach of BIF and the 2013 Portfolio review.⁷

Box 6

Medium additionality

The added value of TA appears 'medium' in around 40 per cent of long projects. The company reports it was 'useful' to the business and made progress 'easier', though without specifying a way in which it was bigger, better or faster. This is a diverse category. In six cases, the business is progressing well but the TA input was just one piece in a complex picture, in some cases a long time and a different management team ago. In five cases the business is on ice or stalled, and in six it is progressing slowly. In the majority of these, we consider that the TA made a substantial difference to the business model, but it was not able to help the business overcome issues such as changes in leadership, unwillingness to pay amongst potential customers or lack of finance. In some cases, the company has had to change course again after BIF support, while in others it is stuck. So the net result of BIF support is seen as only 'medium' because it has not resulted in company success so far. Several of these companies called for longer BIF engagement in their feedback.

The following are illustrative quotes from company managers who perceive additionality as medium:

"[BIF support] provided a level of comfort at the time to our potential funding partners." ... "Forced us to interrogate our assumptions on a regular basis."

Consumer-focused start-up, Zambia

"The gaps that were identified in terms of the business aspects would have taken some more time if BIF support wouldn't have been received. Recommendations provided are pertinent. It is [due to] the weakness of the business case internally, due to regulatory constraints in agriculture trading – that we have not been able to implement it all in totality. It is also because we did not have a function head for a few months during the pilot, that we have been delayed in finding a workable solution. That is in progress now."

Agricultural service company, India

"Could we have achieved what we have without BIF support? Probably. But, has BIF support helped us achieve it? Yes definitely."

Agroprocessing company, Malawi

"The main benefit of BIF was the idea of in-house teambuilding. We found this to be very useful. We realised we have different skills available and how we can make best use of them. We now work in a team."

"Another lesson is that we know now that we have to plan things in advance, rather than just wait and see and then say 'what shall we do?'. BIF has helped us to do things in a certain order."

Food company, Zambia

⁶ Beyond the additionality of TA, we have tried to assess the broader indicator of company satisfaction with BIF, and ascertain the more general benefits of collaboration. 45 per cent report strongly positive satisfaction with BIF, 40 per cent positive and 15 per cent mildly positive. BIF scored highly on 'would you recommend BIF to another business' with an average score of 8.8 out of 10. Of the additional benefits from engagement with BIF, the items that companies perceived as strongest (post support) were: opportunities to tap into experts from outside the company, access to wider resources and experience from elsewhere; new partnerships; and increased capacity to attract investment funds.

⁷ BIF M&E Approach: bit.ly/MEReview
2013 BIF Portfolio Review: bit.ly/Portfolioreview2013

Low additionality

In four projects, 10 per cent of the total of long projects, the additionality of TA is regarded as 'low'. Three of these inclusive businesses have simply not progressed and BIF was not able to make any difference to this. One is flourishing and ambitious, but up until mid-2013 had received relatively little input from BIF and initial input was under a different internal champion.⁸

The manager of one of the businesses that is stalled highlighted how TA input did not suggest the right business model:

“Discussions were useful and helped us to better understand the challenges of empowering farmers in the supply chain. However, the actual envisaged solution by BIF was NOT the right one as this would have actually empowered the agents even further. At least it helped us to realise that agents would NOT empower farmers. We have not progressed to find a suitable solution to our challenges around supply.”

This comment has echoes of our zigzags described in the *'The 4Ps of inclusive business'* report. Learning what does not work is part of discovering what does. This particular company has not yet solved the challenge, but in about half a dozen cases in the portfolio (mainly in the medium and low categories of additionality) the TA input was focused on a business model from which the company has since moved on. BIF was engaged in an earlier part of their zigzag journey. Whether that was an essential part of the route or ineffective TA is probably a matter of individual context plus personal opinion. Some of the high additionality businesses have also taken turning points, but the TA has been more integral to the change in direction.

3.2 For which types of companies, when and why was it useful or not?

Large and small companies

Looking across the portfolio, there are no clear patterns between the value of TA and the type of TA, nor the type, location or stage of company. It is interesting that additionality is just as high (in fact a few percentage points higher) for companies that are diversifying into inclusive business as for those for whom it is core business. While it is clear that a start-up business needs help developing business plans, markets and expanding the bandwidth of a core (often small) team for analysis and planning, it was perhaps less clear at the start of BIF in which way TA would be valued in larger established companies with arguably more resources and expertise.

In early days of BIF, it required more effort to draw large companies into the programme. A smaller share of early prospecting and pipeline conversations with large companies converted into projects. However, for those large and established companies that did proceed, there seem to be a few different reasons why value addition can be high.

1. Skills and perspective: Companies have to go outside their normal operations and comfort zones to develop inclusive business. This calls for skills they do not have internally, which BIF helped to provide or source. While it could be argued that an established company can pay for skilled inputs

themselves, at early stages this may not be the case. In addition, BIF added more than just cheaper skills, by helping to identify what specifically was needed, which proved to be a critical task. Several also commented that the 'independent perspective' that BIF TA brought added further value.

2. Timing: BIF support often came at a time when the business model had internal support, but had not yet proven itself. So while it draws on company investment of staff time, the model is still limited in its ability to capitalise on all the strengths of the wider company, and TA helped it develop further. This pattern was first identified in late 2011 when the BIF team wrote a first 'lessons learned' report for DFID. **R**

3. Partnerships: The majority of large companies that are diversifying into inclusive business have ended up needing partnerships as part of their model, and the TA has helped establish them. The types of partnerships vary, but the common theme is that big companies have to complement their own skills with others in order to innovate.

We draw two lessons from this. Firstly, TA is not always needed by large companies, but when it is appropriate to their stage, it can add high value. Secondly, the need for partnerships and assistance to broker partnerships is not always recognised, but ends up being a useful function of TA.

For smaller companies, the TA was more likely to be focused on getting the business plan right. In many cases at the time of application or baseline, there is only a rudimentary business plan. The TA then is about understanding the market or supply chain, fleshing out the options for costs and revenues, for financing, or for developing the entire approach. Several projects included BIF support to access finance. These had mixed success. Although the companies were arguably more 'investable' following BIF support, it still proved hard to secure finance in practice. This might imply that BIF would have been more useful if it could provide finance too. But approaching companies with an offer of cash would probably have led to different portfolio and less focus on how TA could strengthen the business. So simply adding a financing budget line would not have been a simple answer to boosting impact.

Flexible TA, local and international

A great deal of effort was invested during the lifetime of BIF into designing and packaging TA to be targeted and effective, and we believe – though of course cannot prove – that this contributed to the value perceived by companies. Two features are worth noting.

Local management teams: The first is the role of Country Managers in all five countries, who developed country strategies, sought out potential companies, jointly developed proposals and packages of support with them, provided project management through the TA support period, plus on-going signposting to other useful partners and resources during and beyond core BIF support. This local capacity helped ensure that TA was attuned to the needs of the business and that trouble-shooting was swift if problems emerged. It was also essential for initial trust-building as at the start the value proposition of BIF was not obvious.

Resources **R**

'The value of technical assistance in supporting inclusive business: Lessons learned to date' was written for DFID by the BIF team in early 2012, summarising lessons learnt about the provision of TA bit.ly/LessonsLearnedReport

“We learnt that though we might have done our own internal study on a supply chain/value chain, a fresh outside perspective can contribute tremendously to the project.”

Agroprocessing company, Malawi

“The BIF engagement also brought forth the difference culture and expectation of a small firm and a large corporate. Support requirements of small firms are different – smaller firms require capital support to install and test pilots.”

Feedback from a small firm partnering with a MNC, supported by BIF

⁸ The low additionality score is based on feedback in late 2013. Ironically perhaps, or as a useful lesson about the flaws in any M&E system, feedback from the original internal champion was that: “Over the years we have worked with so many donor organisations. I think it's the first time that we're working with a donor organisation that understands business” (Company Director)

Being flexible was an essential part of ensuring the value of TA, but limited duration remains one of the areas of weakness identified by some companies.

High flexibility of TA support: The second feature of the support was its flexibility. As noted above, the scope of topics addressed by TA providers was wide, and sometimes quite niche. A 'menu' of certain support types was originally planned, but not developed due to the need for tailor-made packages. As new circumstances arose, the TA was adapted to meet new needs within the limits of the budget. Duration was also somewhat flexible, within programme constraints. Any intention to box TA into a neat three to six month period soon disappeared in the face of reality. Informal advice started during the process of designing a TA package for a long project. Formal commencement was often delayed, whether by finalising inputs and contracts or sometimes by companies having to prioritise more immediate issues. Delivery often continued well past the intensive phase of inputs, because follow-up was needed as pilots were rolled out or systems put in place. Being flexible was an essential part of ensuring the value of TA, but limited duration remains one of the areas of weakness identified by some companies. In particular, where TA helped deliver a pilot of a model, some would have liked more input over the next year or more, to help convert the results into implementation.

Strengths and limitations of TA from a company perspective

The feedback received from companies creates a compelling case for the value of TA that is focused on strengthening the business model. The companies are on a long journey of business model innovation, and TA on a wide range of topics helped them to do that faster, better or more easily. Given the centrality of getting the business model 'right' through iteration (see *'The 4Ps of inclusive business'*), it is easy to see why TA that was tailored to each business model was of value. Flexibility in focus and timing helped ensure its usefulness.

Nevertheless, TA is no panacea. For some companies, the input was shorter than they would have preferred. TA helped design a pilot, but they would have like support to move beyond the pilot. For others, the internal or external constraints they face remain obstinately strong in spite of the TA. In one or two cases, the specific consultant or the type of business model recommended simply did not meet with the companies' approval. Nevertheless, the fact remains that TA inputs that cost just a fraction of the total investment made by the lead company, seem to have been able to make a noticeable difference to progress in so many cases.

"BIF in its current form provides advisory support, but BIF can add more value by supporting the implementation stage. BIF like facilities must also have a small corpus for supporting smaller firms in piloting recommended models."

Company Feedback India

"Really, ideally BIF should consider mapping out a path for first involvement and then a journey for the first three to five years of a business start-up. This timescale could vary depending on the business and level of development. This would help ensure more successes over the longer term."

Company feedback, Malawi

3.3 Was short-burst technical assistance useful?

If one of the lessons is that longer duration was needed, it might seem counter-intuitive that one of the innovations during programme implementation was shorter TA input. However, this also emerged as necessary. Half way through the life of BIF, a shorter and less expensive type of TA (on average £10,000 of consultancy costs) was introduced in response to an evident need for a more flexible and rapidly deployed input. These 'short projects' were needed by companies that were developing plans, assessing options, perhaps considering a yes/no decision, or were interested in learning about potential new approaches, but whose business ideas were not sufficiently developed for a full TA package. It was also used for focusing on sectors or issues where 'cluster support' to more than one company seemed good value for money. Short project TA was able to be deployed by BIF management without the need for Selection Committee approval, although the same criteria applied (but with a greater appetite for risk).

Forty six companies received direct one-to-one support through these short projects, and over 300 companies (400 participants) participated in another 22 short projects which involved workshops and dialogue with a cluster of companies. Although we have less detailed monitoring information on the commercial status of these businesses, the feedback gathered suggests that this short input was extremely well received. The feedback BIF received from companies directly after receiving short support overwhelmingly reports that companies found BIF support 'very useful' or 'useful'. Out of 82 companies that provided feedback via an online survey conducted as M&E follow-up in late 2013, 79 per cent reported having improved their inclusive business processes 6-12 months after receiving BIF support.

Table 1 (overleaf) gives examples of what the companies have done as a result of BIF engagement, while Box 7 (overleaf) presents summary findings of feedback from 400 workshop participants.

BIF Country Managers have also shared their views on the value of short term support looking specifically at whether short projects had turned out to be useful to the companies that received support and whether or not they were progressing with their inclusive business activities beyond BIF support. The strength of positive feedback, particularly for workshops, was a surprise. While covering a variety of topics, the cluster approach to workshops seems to have filled a gap. As Parveen Huda (Country Manager for Bangladesh) puts it:

"We have supported the knowledge and capacity development of the participants and their organisations in understanding inclusive business models and how to develop them for their own context."

Short project support provided on a one-to-one basis was tailored to the individual needs of the companies, however, a number of common themes on the type of support provided can also be identified in these comments from Country Managers on specific one-to-one and one-to-many projects:

Supporting companies to develop business plans or strategy, or linking with others to do so

“NCS support was useful to the company because it gave an idea of the total market size, opportunity for growth and also a fair picture of competition. This mapping information is still being used by our project participants to develop their future strategy for their product for the retail market.”

Parveen Huda, Country Manager for Bangladesh (one-to-one)

Providing guidance and support in identifying, writing and applying for donor funding

“BIF supported the development of the company’s AECF application by giving guidance on what information was required and reviewing the final submission. The application was successful and the company received £1.5M in grant / loan finance.”

Karen Smith, Country Manager for Malawi (one-to-one)

Facilitating partnership brokering and collaboration between organisations

“A number of connections between a number of stakeholders were made during and after the workshop. At least two companies received support on improving their partnering capabilities.”

Andrew Kambobe, Country Manager for Zambia (one-to-many)

Knowledge dissemination and communication of topics, ideas and information relevant in helping companies improve inclusive business practices

“Feedback received suggested that the forum was useful for relationship brokerage and to provide a clearer understanding of BIF, inclusive business and impact measurement concepts.”

Soji Apampa, Country Manager for Nigeria (one-to-many)

Table 1: Examples of what companies have done differently as a result of short projects⁹

Short projects with one company	Short projects with a cluster of companies or workshop
<p>Planned and funded (and about to implement) the strategy BIF helped us define.</p> <p>Through BIF support, we were able to identify and establish linkages with smallholder farmer clusters, develop labels and fliers for its marketing purposes and technical production support for the company.</p> <p>We have decided to go into deeper research work based upon BIF support.</p> <p>Through BIF support we identified better machines and are in contact with the makers.</p>	<p>Decided on new research areas following the workshop identifying the need for developing business cases based on business process review.</p> <p>Partnered with two private companies (input suppliers in aquaculture) to help rural fish farmers through providing embedded services.</p> <p>The knowledge that I gathered in the training workshop, I disseminated the same for the benefit of our clients.</p>

Value of light-touch TA through workshops

Face-to-face workshops amongst defined clusters of practitioners have received very positive feedback, both when we asked at the close of an event, and then when we followed up in September 2013.

Twenty two short projects took the form of workshops or cluster engagement and over 400 participants provided feedback. Ninety-two per cent of respondents say that the BIF activity was useful or very useful. Even when asked in September 2013, one to two years after the activity, the comparable figure was 85 per cent (of 67 respondents). In the recent survey, roughly two thirds of respondents could provide an example of something that they were doing differently as a result of the BIF activity, and roughly the same share said that there has been some, or a significant increase, in engaging with the BoP or understanding of the BoP as a result of the BIF activity. ^R

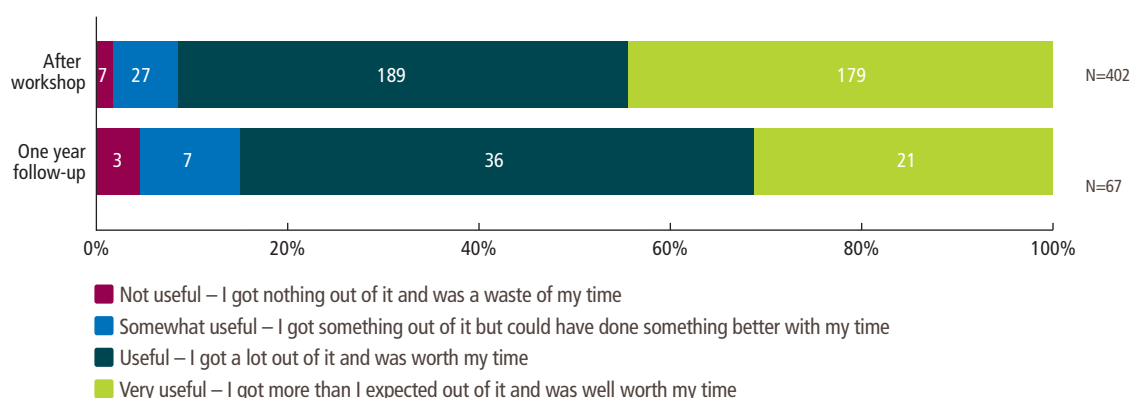
Box 7

Resources ^R

A Climate Change Strategy Development Tool was shared at two cluster workshops, where participants were given tailored support to use it. It proved extremely popular bit.ly/CCSDFTool

Many workshops have been profiled on the Practitioner Hub, with access to all presentations, such as this one on the agricultural value chain in Bangladesh bit.ly/DhakaAgEvent2012

Figure 8: Participant responses on the usefulness of workshops, at workshop close and in September 2013



⁹ Based on an online survey in September 2013 with 82 respondents

4

Sharing knowledge with practitioners

- > Knowledge shared from the BIF pilot drew heavily on the close engagement with companies that was integral to delivering TA, and on the expertise of service providers.
- > Feedback indicates demand for such practitioner-focused materials, that focus on implementation of inclusive business, although getting material to those that have most need for it is difficult, and monitoring the impact of knowledge outputs was beyond the capacity of BIF.
- > By co-hosting the Practitioner Hub on Inclusive Business, BIF reached over 85,000 practitioners in almost 200 countries, going well beyond the 5 pilot countries.

Resources

'Inside Inclusive Business' is a series of 10 in-depth reports covering different aspects of inclusive business. The aim is to share practical ideas, challenges and solutions, as they emerge, in ways that are relevant to other business and development professionals bit.ly/HubInsiders

4.1 The approach to knowledge exchange

BIF was set up to have learning of various kinds running throughout all activities. While BIF offered support to companies, it was also made clear in discussions and contracts that key lessons would be shared through the **Practitioner Hub on Inclusive Business**, resources and events, although confidentiality would not be breached. **'The 4Ps of inclusive business'** report and this report are part of the result of that. We have been able to share insights from many businesses, including some that have not been successful and even from two that are currently too commercially sensitive to be named.

A culture of 'learning-by-doing' was embedded which enabled lessons to be drawn from the experience of companies, TA providers, and the BIF team, so that it could be shared more widely with other practitioners on inclusive business. There was no 'research' as such, but much data collection, feedback, requests for lessons learned, and editing of material for public use.

In terms of content, the focus was primarily on practical issues that would be useful to other practitioners developing IB. From the BIF M&E perspective, there has always been a secondary theme of drawing out lessons for donors. The topics on which BIF has documented and shared material¹⁰ were not planned in advance but emerged from the practice of the portfolio, in line with the overall aim of drawing out lessons on the 'how' and ultimately the 'why' of inclusive business. Such themes include:

- last mile distribution options to reach BoP consumers
- models and challenges of engaging smallholder farmers
- accessing finance for inclusive business
- the importance and risks of partnerships for inclusive models
- innovation
- commercial and social results and scalability
- tracking results of inclusive business
- facilitation and donor support to business. R



The Practitioner Hub for Inclusive Business, hosted by BIF and IAP

¹⁰ Access all BIF publications here bit.ly/HubPublications

BIF approach to knowledge exchange: rationale and feedback

The reasons for investing in generating and sharing knowledge about inclusive business were clear at the start, but have become more evident over time as we have learned by doing:

- 1. Time and pace:** Inclusive business is still relatively new, so it's a particularly critical phase in which practitioners have been able to move quickly up the learning curve by exchanging knowledge with each other.
- 2. A growing market:** The audience is growing, as inclusive business in its many shapes, sizes and terminologies gains momentum. BIF could only work directly in five countries. By sharing knowledge through the Practitioner Hub, BIF has been able to reach those working on inclusive business in almost 200 countries.
- 3. Diversity, similarity and poaching from others:** Learning from others can provide short cuts to avoid mistakes, or develop better models. Entrepreneurs often already know what others in their own sector are doing, but business models that reach the BoP people cut across sectors.
- 4. Demand for and supply of in-depth analysis:** Feedback from practitioners says they like to hear specifics of what others are doing. During audience voting at an IFC conference in 2010, by far the most popular option for knowledge exchange was 'in-depth analysis of specific approaches (e.g. for supplier or consumer finance) used across inclusive business models.' BIF has been able to get past the glossy summaries and into the detail of how inclusive businesses are evolving and what they are delivering. Although only published in December 2013, the BIF 'deep dive' case studies¹¹ that look at individual businesses in detail, seem to be amongst the top 20 most popular BIF publications on the Practitioner Hub.
- 5. Optimising results from use of donor funds:** Because the BIF team engages in the details of inclusive business development, team members are in an ideal situation to draw practitioner lessons in a way that programmes that write cheques or work on the policy environment cannot. All inputs are paid with donor money, so if the lessons can be useful to others, the principles of transparency suggest they should be made public within the limits of respecting confidentiality.

Box 8

The majority of Practitioner Hub users are from the South, from the private sector, and their day job involves inclusive business.

The main channels for facilitating knowledge exchange and disseminating BIF findings have been:

- Face-to-face exchange in country, through Country Manager's discussions, networks and at workshops
- Online through the Practitioner Hub on Inclusive Business, hosted jointly by BIF and Innovations Against Poverty
- Via other networks and partners, including online platforms, events hosted by others and social media.

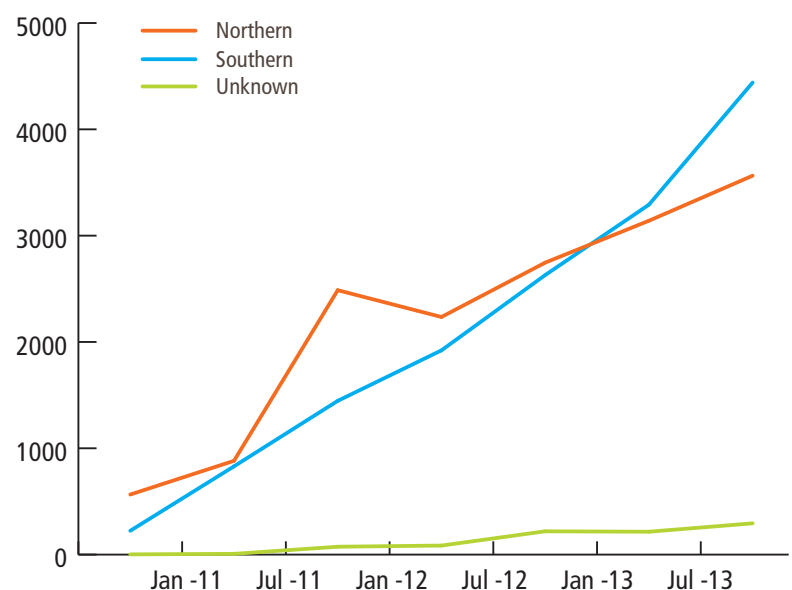
4.2 Who was reached via knowledge exchange?

In-country knowledge exchange reached practitioners from companies, NGOs and government, some of them involved in long or short projects with BIF, some not. International knowledge exchange via the Practitioner Hub on Inclusive Business reached practitioners within and beyond the five pilot countries. It is impossible to know who was reached by wider dissemination of knowledge through partners and other events.

As of the end of 2013, Practitioner Hub gets around 5,000 unique visitors each month and has received over 85,000 unique visitors to date. While data and user feedback are limited, we do know that Hub visits are growing fastest in the South, which suggests that despite slower connections, this is where users are getting the most value for their surfing time and where the resources shared are most useful. While originally

the Hub had majority usage in the North, by mid 2011 the majority of signed-up members were from the South, and by early 2013 the majority of unique visitors were Southern, as Figure 9 shows. According to survey information, the majority are also from the private sector and their day job involves inclusive business.

Figure 9: Unique Hub visitors in one month by regional origin



R Resources

The 'Database of Financial and Technical Support' is a searchable Excel file listing hundreds of organisations that offer financial and/or technical support relevant to inclusive businesses in developing countries bit.ly/fintechsupport

Checklists are two-page lists of key questions that practitioners should consider when tackling an issue. They are based on experience of the BIF portfolio bit.ly/HubChecklists

When asked 'How do you feel about this site?'

89% of users replied 'Happy' or 'Very Happy', via an integrated feedback function on the Hub and 65% of this feedback is from the South

How do you feel about this site? 😊 😊 😊 😊 😊

4.3 Can we judge usefulness to the practitioner?

Although it is difficult to track how many people access each material, how useful they find it or what they do with it, the fact that the Hub has grown steadily every month, reaching over 85,000 users from almost 200 countries shows that people are finding it useful. The Hub has not been promoted beyond the five BIF countries plus another ten or so countries where IAP, BIF's partner on the Hub, operates, yet a wide array of users have visited and left comments. We have sought to also compile data and anecdotes from many sources to piece together some information on what is useful to practitioners.

Finding out about other specific businesses

The landing page which gives access to listings of inclusive business projects supported by BIF and Innovations Against Poverty¹¹ has been the most popular Hub page, suggesting access to project material is an asset of the Hub.

There is also evidence that practitioners welcome the opportunity to find out very specific details about the operations of others. The deep dive case studies¹² are not short snappy reads (30-40 pages) yet prove popular. Emails that arrive in the Hub inbox, such as the one below, tend to ask for further details once a Hub visitor has seen a Project Profile or blog:

"I am so happy to read about the rice project in Asia particularly Indonesia and India. The objective of your project is exactly what we are trying to achieve here in Zambia."

Exchange about specific projects is a way for practitioners to connect with others, as in this example:

"I am much interested in Parveen Sultana Huda's work on the Cassava processing for Dextrose extraction producing starch as by product. Would be grateful if she could share the facility details with me for my Malawi SMEs..."

Tools and checklists for practitioners

What we believe to be our most popular resource – The Database of Financial and Technical Resources of Inclusive Business¹³ – has been downloaded 719 times, disseminated internally by other active organisations (such as Ashoka and IFC) and received very positive written feedback. The Climate Smart Strategy Development Toolkit has tracked 400 hits on its landing page (representing partial data).¹⁴

A number of 2-page and 4-page Checklists that draw heavily on longer documents have proved popular, with their simple listing of issues to be considered. **R**

"Practitioner Hub brings a lot of value on the table. It helps me keep things in the right perspective."

"This is great. A lot of insight of what's going on and sharing of new innovative ideas that is putting the whole world on the same field."

"Congratulations for the Practitioner's Hub! It is one of the best platforms I know in inclusive business."

However, one of the lessons for donors is the challenge of assessing results from knowledge exchange. The Hub emerged over time as an addition to the programme, run on a relatively small budget (£5,000 to set up, now around £100,000 a year to run (half paid by BIF), and £270,000 total cost to all partners up to January 2014), so it could not justify intensive investment in coding and technology for setting up tracking systems, or seeking out feedback. Publications get loaded or printed, and it tends to be pure chance when a workshop attendee comments how useful they found the latest 'Inside Inclusive Business', or who they passed it on to. For example, a chance remark was picked up at a G20 workshop in Berlin, from a business incubator in India, who 'uses the Hub a lot' and considers BIF's 'Insider on last mile distribution' (see image) as 'one of the best'. Such feedback is simply not usually captured.



One of the first and most popular of the Inside Inclusive Business series, by Nisha Dutt (BIF Country Manager in India), questioning reliance on village level entrepreneurs for distribution to the BoP

¹¹ The Practitioner Hub is jointly run by BIF and Innovations Against Poverty, a challenge fund funded by the Swedish Development Agency.

¹² Access all seven BIF case studies at bit.ly/Deepdives

¹³ bit.ly/fintechsupport

¹⁴ For most documents, we can only track the number of views in the Library and the number of clicks from the main publications landing page. However, people arrive at the materials directly via links in tweets, emails, other publications and other pages. These are not tracked in the current limited technical platform of the Hub.

5

Results from a development perspective

- > The portfolio is estimated to be reaching under 100,000 households at the BoP one year after BIF support commenced, and on track to reach over 1 million households around Year 3, and over three and a half million around Year 5. The vast majority will be from consumer-focused businesses not producer-focused businesses.

- > Only a share of the estimated increase in reach to the BoP are plausibly linked to BIF support. Based on assessments of the value of BIF support we estimate BIF input should help businesses to reach: around 38,000 households in Year 1, 0.5 million by Year 3 post BIF baseline, and 1.5 million BoP households by Year 5. The latter is in 2-4 years from now, and is roughly equivalent to 7.5 million people.

- > Limited data suggests, perhaps surprisingly, that the people at the BoP reached tend to be below or around the \$2 per day poverty line, with some farmers reached living on under \$1 per day, and some consumers reached living on over \$2 per day but facing limited access to adequate goods, services and markets. Inclusion of women varies widely.

- > There is clear potential – though piecemeal evidence – that some of the businesses may help catalyse changes in the behaviour of other players up and down the value chain or in other sectors.

- > BIF spent around £6.5m (\$10.5m) in total, of which over £1m (\$1.6m) was on monitoring and knowledge. Based on estimates of future BoP reach, BIF spend per BOP household reached and plausibly linked to BIF support would be around \$4 by Year 5.

- > BIF spend per unique visitor to the Practitioner Hub is under \$3, BIF spend on all knowledge is around \$10 per person reached. This spend has drawn on much other investment, by partners and by the TA component of BIF.

5.1 What impacts for people at the base of the pyramid can inclusive business deliver?

Based on our portfolio of long projects, impacts at the BoP are moderate so far, potentially high for the future and certainly variable.¹⁵ Aggregating the baseline data for each inclusive business venture suggested that around 100,000 households at the BoP were being reached in total at the time BIF support started (however, most of this was in 5 businesses, using data based on estimates not actuals, and the majority reached zero). Some businesses are now reporting increases or are on track for increases, while others are not yet. By one year after the start of BIF support, we are fairly confident that they are reaching around 120,000 BoP households, of which almost 40,000 are new additional reach (14,000 confirmed as actual to date). Looking ahead, much faster increases are planned.

As a generalisation, the data suggests that consumer-focused models may reach 100 or 200 times as many BoP households per business as producer-focused models.¹⁶ In Year 0 and Year 1, the differences between producer and consumer-focused business ventures are minor, as most inclusive businesses of any kind are reaching a few hundred or perhaps a few thousand BoP people. However, as they grow, the estimated gap widens. On average, producer-focused inclusive business ventures aim to extend from a few hundred to several thousand farmers, with the



Universal is scaling its fresh cassava supply chain from 25 smallholders to a target of 4,000 over four years

largest agribusiness ventures sourcing from farmers hoping to reach 10,000 farmers relatively soon. The consumer-focused inclusive business ventures however aim to grow from a few thousand to half a million on average, with the largest aiming for markets of 1 to 2 million households. This has major implications for any donor programme that is driven by targets around reach to people at the BoP.

Comparison between company estimates and subsequent actual numbers reached suggests a general dose of 'project optimism'. Whilst BoP reach shows positive increase across producer and consumer focused projects, actual numbers reached tend to be significantly lower than initial estimates for both types. This is partly due to natural optimism – even in successful businesses, things take longer than hoped. It is also due to the mixed progress of businesses across the portfolio, recognising that some are not progressing.

¹⁵ Detail about commercial and development results delivered and expected are available in the full 2013 Portfolio Review of the Business Innovation Facility bit.ly/Portfolioreview2013

¹⁶ Available data suggests that the ratio between consumer and producer-focused business for BoP households reached per year is 2:1 in Year 0, 20:1 in Year 1, 100:1 in Year 3, and closer to 200:1 in Year 5. However, figures are influenced by a few large businesses, so are not more than indicative of a substantive difference.

We have calculated a 'revised for realism' estimate of the number of people at the BoP that the portfolio might reach. This process gives us ball-park figures (see Table 2):

- Twenty companies (half the portfolio) estimate they will reach 5.7 million people at the BoP by Year 4 or 5, post the BIF baseline.
- Company estimates have been revised downwards by 30 per cent to account for optimism across the board, then revised down again (by factors

ranging from 0 – 100 per cent) based on the progress status of each business

- Our 'revised for realism' estimates for all 32 companies that are currently making progress (i.e. not classified as stalled or on ice) shows that by Year 4/5 over 3.7 million households could realistically be reached – about a half to a third of what the companies themselves estimate. They can be multiplied by household size of five to calculate individuals reached or lives touched, for comparison with how others report.¹⁸

Table 2: Revised for realism estimates for future BoP reach across our portfolio¹⁷

Realistic BoP reach (across the portfolio)	Year 1 (actuals) N = 16	Year 1 (estimates and actuals) N = 29	Year 3 N = 20	Year 4 / 5 N = 20
Figures provided by organisations (households)	20,995	228,550	2,090,000	5,710,000
Revised for realism estimate: adjusted for progress and optimism (households)	20,995	118,703	839,000	2,630,000
			For 32 businesses	
Estimated BoP household reach for all 32 projects progressing			1,175,000	3,680,000
Estimated BoP individuals reached across the 32 projects progressing			5,870,000	18,820,000

In summary, most businesses in the portfolio are currently in year 2 since the start of BIF support. By the end of year 3 (or so), we expect them to be reaching over one million households at the BoP in total. And by the end of year 5 (i.e. two to four years from now) to be reaching approximately 3.5 million households. These are of course ball-park estimates, based on our analysis to date of business progress. The totals are not useful for providing averages, as they actual reach per business varies enormously. The totals are useful only for indicative figures on what seems achievable.

Reaching scale

In our report *'The 4Ps of inclusive business'* we explain that the process of taking business innovation to scale seems to take around a decade on average, so it would not be likely that many inclusive businesses supported by BIF would yet be making their mark on significant scale. In practice, few inclusive businesses we are aware of have seen the success of M-Pesa (see Box 9) to date. Two businesses in the BIF portfolio are operating at some level of scale already, although not scale at the BoP (in both cases the BoP is just one market segment). R

R Resources

The Insider *'Scaling Inclusive Business: Why do some successful inclusive business pilots fail to scale?'* explores seven reasons why inclusive models do not go to scale bit.ly/scalingIB

M-Pesa as an example of scale

The Holy Grail among donors is sometimes described as 'the next M-Pesa'. M-Pesa is a mobile payment system that took off in Kenya, transforming access for 17 million people in Kenya alone (2011) to easier and cheaper financial transactions. A Vodafone innovation, M-Pesa benefited from a DFID grant in the early years. In the early selection committees of BIF, we would wonder whether an M-Pesa in the making was in the pot. So far the answer is no, but perhaps it is an unfair question. There are specific reasons why M-Pesa took off so well in Kenya, related both to the then-unexploited potential of mobile phones and the specific Kenyan regulatory framework. Even the proven M-Pesa model has found it harder to expand into other countries.

Box 9

¹⁷ **Basis of the calculation:** 8 projects (20% of total) are either on ice or stalled – these have been excluded from our aggregation as it is assumed that they will not progress for now. For those progressing, estimates are scaled down by 30% for over-optimism and by a further 0-50% depending on current progress. Year 3 and 4 / 5 data is not available for 12 businesses. For these 12 businesses our assessment of current progress is on average slower than for the 20 for which data is available. To estimate the BoP reach for all 32, the total for the 20 has been multiplied by a factor of 40% (to reflect the slower increase that we are expecting). All figures have been rounded to the closest thousand or nearest ten thousand for Year 3 and 5 estimates.

¹⁸ BoP reach reported by BIF is actually 'households' – one farmer who sells cassava or one adult who connects to electricity is representing one household. Assuming a whole family benefits, then in order to calculate people reached, or 'lives touched,' as other investors and projects tend to do, it would be necessary to multiply by household size for the relevant country or demographic. Or more simply and conservatively, we can just multiply by 5 to calculate individual beneficiaries.

'What does it take' and 'how long does it take' for an inclusive business to reach scale? Persistence, adaptation, and many years are the obvious answers, but there is a lot more besides. Some answers to these questions emerge from the BIF series of case studies. The seven businesses are truly diverse – start-ups and multinationals, African and Asian, sourcing from smallholders or selling to Base of Pyramid consumers. Not surprisingly then, what they target as 'scale' is diverse too. None of the businesses have reached scale in BoP markets yet, but are determined to get there eventually. ^R

Resources ^R

The BIF Case Study series examines seven inclusive businesses in practice. Each case study explores the nuts and bolts of the business model and provides frank reflections on what works and what doesn't work bit.ly/Deepdives

Table 3: Current status and estimated growth of 7 inclusive businesses

Inclusive business	Current status	Plans for viability and scale	For further detail see
JITA , Bangladesh: Rural distribution network	Launched in December 2011. Employing 4,700 sales women (aparajitas)	Achieving break even in 2013 (ahead of schedule). Grow to 11,000 aparajitas reaching 7m BoP consumers within the next 5 years	The JITA sales network: An inclusive business on the rise
Universal Industries , Malawi: Production of High Quality Cassava Flour	Commenced operation in 2012. Sourcing from 25 smallholder farmers in year 1	Revenue projections are of \$190k and 4,000 farmers reached by the end of year 4 (2015/16)	Commercialising cassava: New opportunities for Universal Industries and Malawian smallholders
MEGA , Malawi: Micro-hydro power supply	First site operational mid-2013. 427 households to be connected from first site within 1 year	Breakeven forecast with six sites operational (Year 6). Reaching up to 520,000 individuals with 10 sites	MEGA: A commercial approach to off-grid power in rural Malawi
iSchool , Zambia: E-learning	Three year not-for profit pilots reaching 3,548 students. Commercial launch in September 2013	Generation of net profit forecasted from 2015. Estimated to reach over 150,000 BoP students by 2015 and 500,000 by 2017.	iSchool: Transformative learning in the Zambian classroom
mKRISHI [®] India: Technology platform for farmers	Pilots in 3 Indian states, 2013 (follows earlier pilots) not yet on fully commercial basis	Break-even forecasted in two years and profit in 2016. Projected to reach 1.8-2.6m farmers within the next 10 years	Evolution of mKRISHI [®] : A technology platform for Indian farmers
Stanbic IBTC Bank , Nigeria: Smallholder Finance Scheme	Pilot in 2013 with 540 farmers	Small operating profit expected for end of 2013. Scaling up to over 10,000 farmers by 2016 and 5m farmers in the long term	Collaborating for smallholder finance: How is Stanbic IBTC closing the loop?
ACI , Bangladesh: Contract farming	First pilot mid-2013 involving 50 farmers	Scaling up to reach 5,000 farmers and \$500,000 revenue within 3 years	ACI Agribusiness: Designing and testing an integrated contract farming model in Bangladesh

* The case studies are based on information collected in mid 2013. Not all information can be updated, but since then we have heard that the Stanbic IBTC pilot was successful, and an expanded next phase is going ahead. iSchool did indeed launch in September and opened its first retail store in December. Universal has sourced new finance to invest in seedlings for farmers which will significantly expand potential supply.



In 2013, 4,700 rural women entrepreneurs – aparajitas – worked with Jita, earning income sufficient to lift them out of poverty

Jita is one of the few businesses in the portfolio to not only stay on track against targets but actually exceed targets for expansion and time to break-even. A process of recruitment and geographic expansion is continuing to expand the number of rural women distributors – known as aparajitas – past the 4,700 recorded in 2013.

The two models that source from smallholders aim to reach 4,000 to 5,000 farmers within the next three years from now. Consumer-focused models like iSchool providing e-learning materials to Zambian students and teachers, or mKRISHI® providing access to information for farmers in India are aiming to reach hundreds of thousands and millions within similar time frames. Yet while targets differ vastly between different models, scale is critical to realise commercial success across them all.

Key factors to reach scale vary. For mKRISHI®, a prerequisite of reaching scale will be a variety of farmer-oriented services successfully developed within the technology platform. Much like

the growing number of apps that are driving smartphone sales, an increasing number of BoP-oriented services will drive the adoption of mKRISHI®. The successful operation of cassava flour production for Universal Industries in Malawi depends on a significant increase in the volumes farmers growing cassava, hence building a trusted relationship with the smallholders plus access to seedlings will be crucial for scale. Other models, like iSchool and MEGA are likely to require further external investment to reach the forecasted growth. iSchool is currently negotiating with investors. MEGA now has a clear budget for investment needed.

The specific drivers of scale vary in each business. The path to scale seems much clearer than when BIF support started, although nothing is certain except that it will take further partnerships, continued iteration of the mode, investment and perseverance.

Beyond the numbers

How significant are the benefits to people at the BoP? If all that mattered was numbers reached, then as one sceptic commented to us recently, we would all be selling light bulbs. Significance of benefit is extremely hard to quantify, but there is no doubt that not all benefits are equal, so the question cannot be avoided.

For BoP people who gain opportunities to earn money providing a service or selling crops, the significance of benefits varies quite a lot from business to business. Aparajitas (women entrepreneurs selling consumer goods in rural villages in Bangladesh) who benefit from JITA's business model have such a significant increase in income that they are lifted out of poverty¹⁹. For most of the farmers within the inclusive businesses BIF supported, the gain is more likely to be an extra livelihood option for them. This may be minor in some cases, such as increased demand for an existing crop, but it can also be transformative in others. In Malawi, groundnut farmers saw little immediate change in their market due to trading by Afri-Nut, but those who produce mangos or cassava for Malawi Mangoes or Universal²⁰ have seen a crop with minimal cash value previously emerge as a significant opportunity for additional income. In agribusiness ventures there are other long-term benefits that could affect rural livelihoods, such as companies building trust with farmers, and farmers gaining market experience and developing skills. Ultimately, these kinds of factors can help transform subsistence farming into a higher productivity system.

Most of the consumer-focused business ventures are offering something that makes a difference to family life: light, power, mobile information, farming information, healthcare, sanitation or clean water. In most cases it doesn't change their income level directly, but makes living in poverty easier and can support significant changes in wellbeing. It may lead to cost savings (such as a cheaper cooking fuel), productivity increases (e.g. of a crop) or improved health (e.g. due to better sanitation).

BoP Focus on women

Nine inclusive business ventures (22.5 per cent of total) are categorised as having a particular focus on women, i.e. the percentage of women beneficiaries is expected to be more than 50 per cent. These are reaching women via products for household use (Pureit Waterfilters, O-Gas stoves), producer-focused projects targeting value chains in which women play an important role (Afrinut / peanuts, Pabna Meat / beef, Universal / cassava), linking women to agricultural markets (Microloan and ERAS), or ventures aimed at empowering distributor women (JITA). In around 45 per cent of all supported ventures we estimate women and men will benefit equally and for around a third of all ventures we expect women beneficiaries to be less than 50 per cent of the direct beneficiaries (usually because engagement is with male farmers).

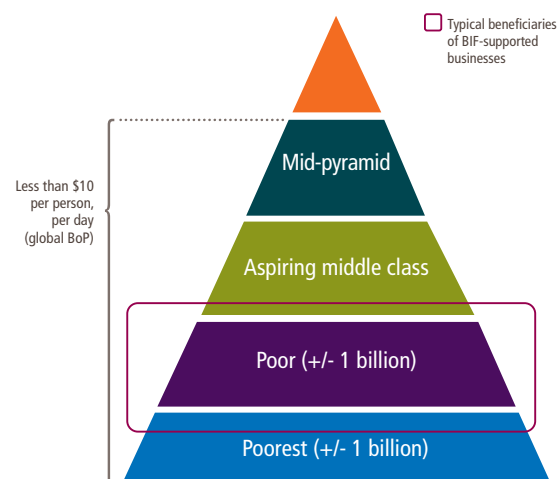
Box 10

Bottom billion or mid billion? Who is reached?

When working with companies that are developing inclusive businesses, it is easy to assume that most of the potential customers or suppliers of these businesses will count as 'low-income' or base of the pyramid. If the estimate of four billion people at the BoP²¹ is used, which equates to half the world's population or those earning less than \$10 per day, then this is probably correct. Much literature on inclusive business does not define its scope, but seems to broadly use this definition. If the focus is on low-income people within a country, or the bottom billion or two billion in the world, the picture is less certain. In fact, in our experience there is a pattern emerging of remarkably little scrutiny of which billion is reached. **R**

Our own assessment, based on the information available from the BIF portfolio, is that some inclusive businesses, particularly those sourcing from traditional farmers, are managing to reach the poorest billion. In other cases, they are reaching the 'next billion down' – those below the middle class who are already reached by business – or the 'next billion up' from the poorest, that are often targeted by traditional development efforts. In this way, inclusive business is an excellent complement to both mainstream business and to development efforts.

Figure 10: The economic pyramid



Note: the pyramid represents an emerging economy, in which only the top segment is above \$10 per day.

Experience from the BIF portfolio is that little effort is made by businesses to quantify how poor their stakeholders are in terms of income, which we think is understandable. Few, except banks or irrigation providers, need to do household income surveys, and no business is likely to need or want to do calculations using purchasing power parity to see what this means against international poverty lines. Business people can readily define those they engage with as poor in terms of their lack of access to income and inability to afford or access basic goods and service, or the vulnerability that they therefore have to the impacts of poverty such as disease, poor nutrition and a vicious circle of disadvantage. What poor people do for their livelihoods and where they live are also used as defining features. These proxies can be very useful to answer two questions: (1) What

Resources **R**

The Spotlight 'Understanding impacts at the base of the pyramid' goes beyond 'numbers reached' to assess who really benefits from inclusive business, and how they benefit bit.ly/ImpactsSpotlight

¹⁹ See the JITA case study for more information bit.ly/CaseStudyJita

²⁰ See the Universal case study for more information bit.ly/CaseStudyUniversal

²¹ 'The Next Four Billion: Market Size and Business Strategy at the Base of the Pyramid', World Resources Institute and International Finance Corporation 2007, bit.ly/WRINext4Billion

percentage of total clients count as BoP? (2) Which 'billion' or BoP group do beneficiaries belong to?

The seven in-depth case studies mentioned previously provide greater insight into who is reached than is possible through conventional reporting. Table 3 summarises the defining features and why or whether they count as poor. In most cases, it appears clear

that those reached are below the \$2/day international poverty line and sometimes the \$1.25/day line. This is particularly true of farmers selling crops to Stanbic IBTC in Nigeria, to ACI in Bangladesh and to Universal in Malawi, or using mKRISHI® in India. It is less clear where the BoP consists of urban consumers, and consumer models may also serve mid-pyramid consumers as well.

Table 3: Defining characteristics of the base of the pyramid beneficiaries in eight inclusive businesses

Inclusive Business	Who is reached at the BoP	Characteristics/ Definition
		Probably under \$1 / \$1.25 per person per day on average
Stanbic IBTC, smallholder finance scheme	Smallholder farmers	Rural farmers in Northern Nigeria with average annual income of \$323 (\$0.88/day) and 1-1.5 hectares of land (information based on pilot scheme in Jos).
MEGA, micro-hydro energy	Rural villages	First scheme in remote village with ~400 households reliant on agriculture, off grid, one school, one hospital; majority below \$1.25/day.
Universal, HQCF	Smallholder farmers	Rural farmers, with 0.4 hectares, no access to formal markets, cassava previously grown as food crop.
JITA, rural sales network	Sales women (aparajitas)	Destitute women in rural areas, average income \$12.50/month when being recruited, current average income \$30/month.
		Probably under \$2 / \$2.50 per person per day on average
ACI, contract farming scheme	Smallholder farmers	Rural farmers, horticulture crops, ~50 per cent possess land, majority below \$2.50/day.
iSchool, e-learning solutions	Students and teachers	Pupils (and teachers) in government and community schools across Zambia; 77.9% of rural population live in poverty, below \$2 per day.
mKRISHI®, rural service delivery platform	Smallholder farmers	Rural farmers, horticulture crops on small landholdings (1.5-2 acres); 33.8% of rural population live in poverty, below \$2 per day.
		Income is undefined but beneficiaries have limited access to conventional markets
O-Gas cook stove	Households	Consumers accessing O-Gas via microfinance schemes.

5.2 Can inclusive business catalyse transformative systemic change?

The inclusive businesses in the BIF portfolio, many of them first movers, operate in markets that are competitive and changing. Whether or not the 40 companies reach 100,000 or five million people at the BoP, another question of great interest is whether their actions achieve anything more than that? The companies and their BoP partners are part of a dynamic context – what some refer to as 'market systems'²², and others as 'ecosystems'²³. Will they also influence these systems?

Early in the life of BIF, in order to get an understanding of more indirect impacts beyond the business supported, we only looked at whether the businesses would spark replication by others. Over time, our focus on replication has reduced and we have observed

emerging signs of a wider set of catalytic affects that could be called 'systemic changes' or 'indirect impacts.'

It is early in the life of these inclusive businesses to assess these questions. Businesses and others who facilitate inclusive business are discussing the need for 'pre-competitive collaboration' which is needed to help remove market constraints to inclusive business growth. Donors are keen to understand better how market system change can be catalysed by companies, or can catalyse pro-poor innovation by companies, in order to strengthen their contribution to poverty reduction. There is a need for more evidence that can help to shape future programming, and it is therefore helpful for us to share what we have despite the fact that these only early indications of where there may be market system change or the possibility of it. These issues are relevant to the next phase of BIF as well (see Box 11, overleaf).

²² For further information on the Making Markets Work for the Poor (M4P) Approach see for instance resources listed on the Donor Committee for Enterprise Development website bit.ly/M4PApproach

²³ The issues covered by those who wish to develop a more supporting 'eco-system' of inclusive business (see recent UNDP report 'Realizing Africa's Wealth: Building Inclusive Businesses for Shared Prosperity' bit.ly/UNDPAfricaReport) and those who wish to harness inclusive business to create change in market systems stem from different roots. But the differences are subtle and complex, while for the purposes of this report, we will simply review how BIF-supported businesses may influence or be influenced by the markets and systems in which they operate.

The next phase of BIF (2014-2019)

DFID is keen to continue to work with business through BIF and is in the process of securing additional funding for the second phase of BIF, which to avoid confusion we refer to as BIF 2. BIF 2 has already started in Burma (Myanmar) and Malawi in September 2013 and will continue for the next four to five years. Additional countries will be added in 2014.

The second phase of BIF will build on lessons learned from the BIF pilot. While BIF 2 will take a market systems approach and look at the ecosystem surrounding the companies, the main tool that BIF 2 will be using will continue to be the provision of technical assistance to companies.

Through market assessments, the programme will identify and focus its work within certain markets and sectors that provide the greatest opportunities to facilitate pro-poor market system change. BIF 2 will seek to address identified market constraints in each focus market by providing support (mainly in the form of technical assistance) to companies on the development of innovative business models.

BIF 2 will also actively seek to stimulate other market players operating in the same target markets to tailor and/or embed innovations in what they do, with the aim of further expanding market opportunities for poor people.

Box 11

Table 4 presents the piecemeal evidence that has emerged so far from our portfolio, where businesses have influenced change in their own market, related markets, or in unrelated markets.

Table 4: Evidence to date of systemic impacts of inclusive businesses in the portfolio

	Type of change observed in market or system	Evidence of change emerging as a result of the innovation at firm level
Same market as company in the BIF portfolio	Innovation among companies that trade and/or compete with each other, that is an adaption of the innovation pioneered by the company supported by BIF	Agora supermarket (Bangladesh) – other retailers expressed interest in the SME supplier assessment tool that was developed with BIF support. O-Gas stove (Nigeria) – competitor stove tops have been observed for sale in Lagos.
	Response by regulators, government, others involved in the market	Stanbic IBTC (Nigeria) is in dialogue with the government about opening up commodity trading (e.g. with a warehouse receipts system) and government are preparing to tender for a supplier to update the central commodity exchange. Afri-Nut processor (Malawi) and its stakeholders are active in discussions in Malawi for development of the oil seed sector and aflatoxin strategy. Discussions have led to a number of new policies recently. 3S Shramik Portable sanitation (India) is working with a few state governments on sanitation models. iSchool E-learning (Zambia) has moved from 'VAT exempt' to being 'Zero rated' according to the latest Zambian budget and so does not need to pay or charge VAT on the ZEDUPads.
A market that is connected to the market that the BIF company operates in ²⁴	New innovation that is enabled by the first innovation	mKRISHI® ICT platform (India) – company is already engaging input sellers on the platform, increasing their access to farmers and vice versa. JITA Rural Sales Network (Bangladesh) – companies are using JITA's networks to research the potential for more socially beneficial goods and services targeted at BoP consumers. This market research is now a major revenue stream. MEGA Micro-hydro power (Malawi) – local businesses are planning to use power for new business. Already community TV is in operation. Pabna Meat (Bangladesh) – during the beef fattening pilot, the fodder feeding mechanism was so successful it was taken up by others beyond the beneficiary women. One of the service providers produced it for commercial sale.
Unrelated markets to that of the BIF company	Innovation in BoP engagement among companies that are in a completely different market	iSchool E-learning (Zambia) – Applications for health and adult literacy are being developed to load on Zedupads, for schools to use in the local community.

As the table shows, we can see actions by other market players that are a likely result of the actions of the companies supported by BIF. In most cases, the innovation is not a copy of the original innovation but the change is around how the second company develops goods or services for the BoP.

²⁴ These categorisations can become somewhat arbitrary as they depend on how the 'sector' or market of a company is defined. In many cases in BIF, the main sector of the company is different to the sector in which they engage the BoP. TCS is an IT services company, but mKRISHI® operates in agriculture. Stanbic IBTC is a bank, but the model focuses on agriculture. Universal is a biscuit manufacturer, but the IB model is in cassava. The catalytic affects are often felt in the sector in which the IB is engaging, rather than the 'home' sector of the company.

Looking at the areas where we perceive potential systemic effects, there are many more potential routes to impact, as Table 5 shows. In the short timeframe of the BIF pilot, we are relying on what we think are credible results chains or impact pathways to suggest where these businesses may catalyse market system change.

Table 5: The main potential systemic impacts evident in the BIF portfolio

Potential catalytic impacts seen in the BIF portfolio	Example from the portfolio
Influencing a related market or value chain, in which the company operates	
Support faster/better sector development by changing roles and margins across the value chain. This is seen as having strong potential in eight businesses (most of which are progressing well) and some potential in 30.	Stanbic IBTC's model should lead to more efficient development of the Nigeria agricultural sector by affecting productivity and access to finance of players across the value chain. Similar results are expected by mKRISHI® facilitating access to trade through its ICT platform. Malawi Mangoes may lead to further development of a fruit processing sector in Malawi if the size and scale of its investment alter investor perceptions.
Challenging market norms is noted as potential for 26 'long projects', although this includes those at all levels of progress.	Bosch and Waterlife are developing an original approach to community water supply in India that challenges current assumptions about filtration. ²⁵ By providing commercial toilets in Indian slums, 3S Shramik is challenging assumptions about reliance on public provision.
The potential to spark copycat replication by others is already evident in at least four businesses.	Some products have clear potential for replication because they develop new technology (Bosch/Waterlife) or are already in active and cross-fertilised markets: d.light's solar lanterns, Pureit waterfilters and O-Gas.
Influencing other unrelated markets or sectors	
Six businesses are developing routes to market for BoP consumers that can be adapted by firms in other sectors.	HUL and d.light are extending reach to BoP consumers in ways that are also of interest to others. In some cases, details of the route to market are commercially confidential precisely because first movers want to maintain their advantage while developing the route.
Four businesses are piloting farmer engagement approaches that others could adapt for different crops or contexts.	Universal and Malawi Mangoes are setting up new intensive engagement with smallholders. Success is likely to lead to adaptation of the model by others in different markets.
Three businesses are intentionally providing platforms that enable other types of companies to transact with the BoP.	Jita, mKRISHI® and iSchool all provide physical networks or ICT platforms to link companies and the BoP.
At least two businesses are altering the demand from the BoP for other business services.	As MEGA provides light to rural households, it will alter their usage of education and commercial services. As users of ERAS soil-testing kits get results, they are likely to adapt their demand for agricultural inputs. MCX, as provider of information to farmers, should have similar results.

Some interesting findings emerge from this analysis:

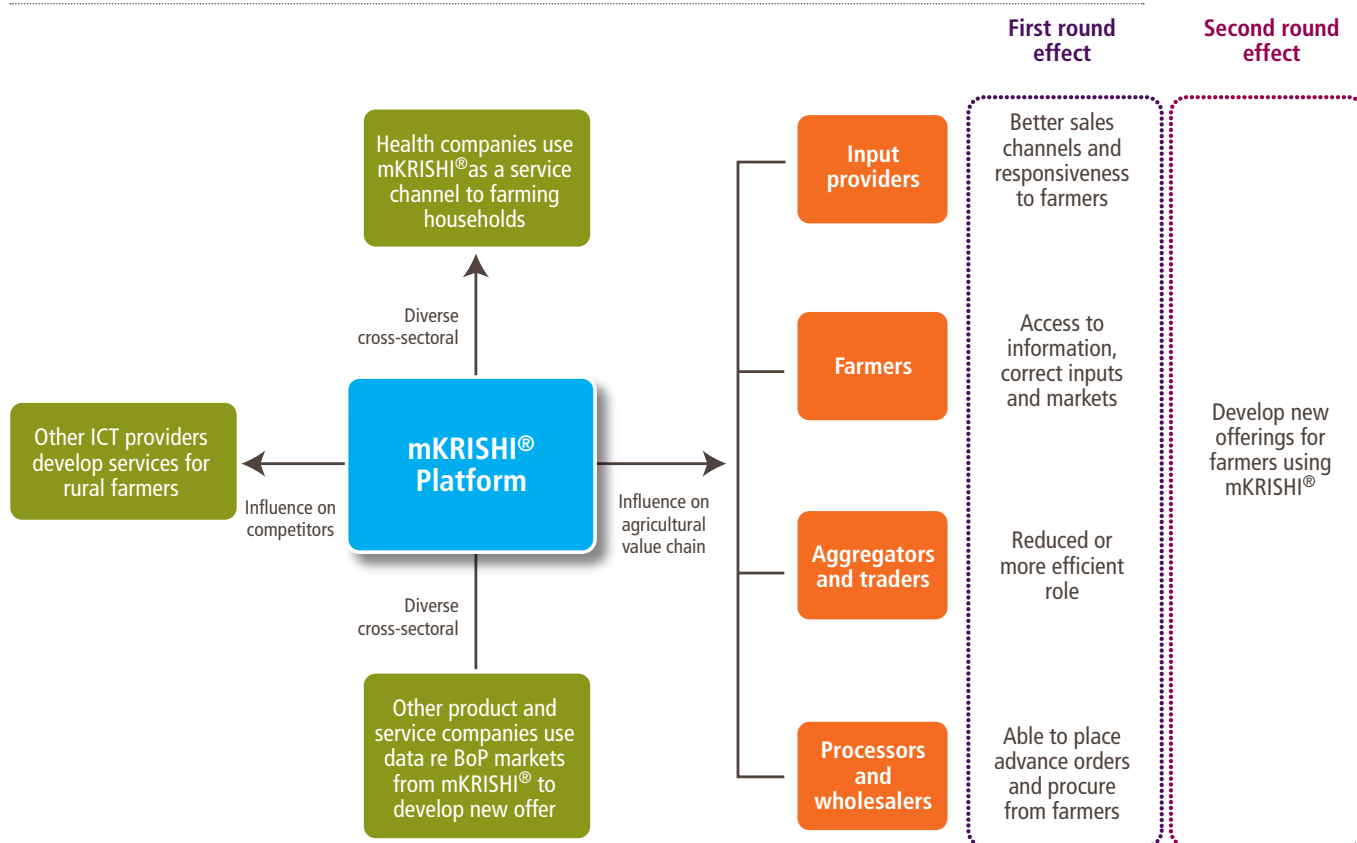
- There are many routes by which a business can influence behaviour of others, and the impact can be felt nearby amongst its competitors and suppliers or far away in other markets.
- The most significant type of potential impact observed so far, is that an innovative business can influence the pace or nature of development of a sector, by changing roles, margins, expectations or simply the ease of operation.
- This impact can be quite intentional, because it crowds in other actors or creates new norms, which provide the ecosystem the business needs for sustained growth.

In India, the case of mKRISHI® provides a good example of many of these issues. It seeks to crowd others into servicing or buying from farmer organisations to increase activity on its technology platform. It is likely to have a very direct impact on the BoP by enabling farmers to access correct fertiliser, but also multiple indirect impacts by influencing investment of other companies in services designed for the BoP farmer, whether in agriculture or something else (see Figure 11, overleaf).²⁶

²⁵ For more information read the BIF Project Resource: 'The road to a water crisis is paved with good, clean water intentions' bit.ly/IndiaWaterResource

²⁶ See the mKRISHI® case study for more information bit.ly/CaseStudykrishi

Figure 11: Potential influence of mKRISHI® on other businesses in multiple directions



In summary, we can see a variety of potential catalytic impacts. To date, BIF input has not had any focus on creating the systemic impacts we have described, other than by supporting business models. The mechanisms by which the BIF pilot provided support are through the delivery of a more robust and thus influential business model, and through investing in exchange of knowledge between companies, both face-to-face and online. Other interventions to catalyse system change directly with other stakeholders in the market have not been undertaken by the BIF pilot, though will be part of the next phase of BIF.

5.3 Can donor additionality and value for money be quantified?

Section 3 identified that TA support added value to inclusive businesses, while Section 5 has demonstrated that inclusive business can reach people at the BoP and contribute to development solutions. Based on this we can give some tentative quantitative estimates of BIF additionality and compare the value of inputs and outputs, bearing in mind there caveats to the existing data and many non-quantifiable results of BIF

Estimating BoP reach attributable in some way to BIF

Attributing a share of results to donor input is notoriously hard in the simplest cases, but even more so when results are delivered by a private company pursuing its own objectives with its own capital. Because it is so difficult, we note that it seems to be common practice among investors and funders to simply report 100 per cent of the results achieved by any business supported. That is dubious when the input is an investment of some millions, it is untenable

when the input is 'only' technical assistance. But at the other extreme, if we said all the achievements are due to business and not BIF, this would not recognise the valuable but also variable and tangible results of TA. So despite the challenge of defining causality and attribution, we have nevertheless reassessed the estimated reach to people at the BoP from the BIF portfolio (described in Section 5.1) to provide a slightly better indication of what can be plausibly claimed as linked to BIF support. We know that some but not all of the BoP reach of the company was strengthened by BIF TA, and the following is our best effort to assess that.

Section 5.1 illustrated how company estimates for BoP reach have already been scaled down for slow project progress and company optimism. We have further reduced these by estimating the share that could reasonably be attributed in some way to BIF support, discounting those at the BoP that were already reached in Year 0, and adjusting each company's Year 1, 3 and 5 figures for the level of additionality perceived.²⁷ As Table 5.4 shows, this model estimates that so far company reach to an estimated 38,000 new BoP households by the end of Year 1, is plausibly linked to BIF. Scaling up data from 20 companies to all 32 businesses that are progressing, we estimate that by the end of Year 3 and Year 5, the number of additional BoP households reached by companies and plausibly linked to BIF support is almost 0.5 million and 1.5 million respectively.

We also note, at least in the impact investment world, that the numbers of clients or producers is usually multiplied by household size to report 'lives touched'. If we apply this system, anticipated BIF-related reach to individuals at the BoP is closer to 2.5 million people and 7.5 million people in Year 3 and 5.

²⁷ 50 per cent for businesses where additionality was high and 25 per cent for those where it was medium. This does not mean we believe BIF support is responsible for 50 per cent and 25 per cent of their current performance to date, but over time, TA increases their total BoP reach due to the business growing faster or being less likely to falter. Business with low added value from BIF have been removed from the analysis.

Table 6: Estimated BoP reach that could be ascribed indirectly to BIF input²⁸

Increased reach to the BoP that is plausibly linked to BIF support (excluding reach in year 0)	Year 1 net inc linked to BIF (actuals) N=16	Year 1 net inc linked to BIF (estimates and actuals) N=29	Year 3 net inc linked to BIF N=20	Year 4/5 net inc linked to BIF N=20
Estimate based on company figures	14,677	164,000	2,060,000	5,680,000
Estimate adjusted for progress and optimism	14,677	38,257	350,000	2,620,000
			For 32 businesses	
Estimated new BoP household reached by 32 projects progressing and plausibly linked to BIF support			493,000	1,500,000
Equivalent as number of BoP individuals reached across the 32 projects progressing			2,470,000	7,850,000

Mapping inputs and outputs

It is important to assess programme results in relation to spend. The total spend for BIF, including the inception phase and extensions (but excluding budget for the next phase of BIF) has been approximately £6.5 million (\$10.25 m): equivalent to just over a million per country and just over a million for monitoring plus knowledge generation and exchange. This is far from insignificant, though can also be seen as relatively small compared to some programmes that spend many millions in one country. The results of BIF cannot be easily converted into a financial amount to balance against this spend, but by distilling it into a few variables, with some strong assumptions, some inputs and outputs can be considered (Table 7).

Table 7: BIF inputs and outputs

Input	Reach	Longer term results
Total spend around £6.5m (\$10.25m)²⁹		
<p>Technical support in 5 countries, total DFID input of around £5.4m (\$8.6m) match funding from companies around £1.6m (\$2.5m)</p> <p>Ratio of total spend on long projects to total spend on short projects = around 3:1</p>	<ul style="list-style-type: none"> 40 companies received 'long project' support. Of those, 80 per cent are progressing, over 90 per cent perceive additionality. 50 companies received one-to-one short support. 92 per cent rated useful / very useful. 300 companies reached via clusters and workshops. Reach to BoP unknown. 	<ul style="list-style-type: none"> Portfolio reached around 100,000 BoP households to date, likely to reach 1.2m by Years 3 and possibly 3.7m households in Year 5 Reach attributed in some way to BIF: 38,000 households to date, 0.5m by year 3, and 1.5m by year 5 (a fraction of total estimated portfolio reach). Systemic impacts not quantified. 69% identifying something done differently as a result. 67% report increased engagement with or understanding of BoP as a result. Viability and BoP reach not quantified
Roughly £0.5m (\$0.8m) spent on monitoring and evaluation of projects and portfolio, in country and internationally.	<ul style="list-style-type: none"> Monitoring used by programme team for management (above), fed into knowledge outputs for public use (below) and by DFID. In some cases, M&E is clearly useful to companies. M&E approach also shared widely with other programmes. 	<p>↑</p> <p>↓</p>
Estimated £557,000 (\$890,000) spent on knowledge exchange: distilling findings, generating knowledge outputs and disseminating. Of this £150,000 spent on Practitioner Hub (matched by Sida).	<ul style="list-style-type: none"> Over 85,000 people reached via the Practitioner Hub 	<ul style="list-style-type: none"> 89% of users giving feedback are happy or very happy; 69% are from the South. Anecdotal examples of how users have adapted information for their business, shared it with others, or found new partners.

²⁸ Notes: All figures have been rounded to the closest thousand or nearest ten thousand for Year 3 and 5 estimates. See table 2 in Section 5 above for the basis of the 'realistic' reach estimates from which Year 0 has now been removed. See also footnote 26 above for the basis of additionality estimates.

²⁹ The original budget in 2010 was around £3 million (\$4.5m), and was scaled up during the course of BIF.

At the risk of over-analysing the quantitative figures above, we could draw the conclusion that:

- BIF's spend per person at the BoP reached (and plausibly linked to BIF through long project TA) is around £2.50 (\$4) per household based on Year 5 estimates, or in the range of £8 (\$13) per household based on Year 3 estimates. These estimates do not take account of any further benefits accruing due to catalytic affects.

Given the substantive nature of the benefits (sanitation, lighting, income), £2.50-£8 (\$4 – \$13) of donor money per household reached seems to us to be a reasonable investment, though benchmarks would be needed for a proper judgment.

Knowledge exchange was a cost-effective investment because it was able to leverage vast expertise from the TA side of BIF. Just over £0.5 million (\$0.9m) of investment generated a wide range of outputs that would normally need to be funded through an entire research project but in BIF were generated through processes and the addition of an editorial team.

- We cannot assume that every person who picks up a BIF publication or visits the Practitioner Hub uses what they find. If, as an example, we assume that roughly one third of those reached actually use the information and outputs, then total BIF spend per true 'user' on knowledge generation and exchange is £20 (around \$32)³⁰.
- The Practitioner Hub as a platform for exchange has cost around £150,000 (\$240,000) of the BIF budget since 2010. This is roughly comparable to

organising perhaps a few regional/ international events as an alternative means of disseminating knowledge generated³¹.

- Operating Hub costs per unique visitor are around £1.50 (\$2.4) per month³², shared between BIF and IAP.

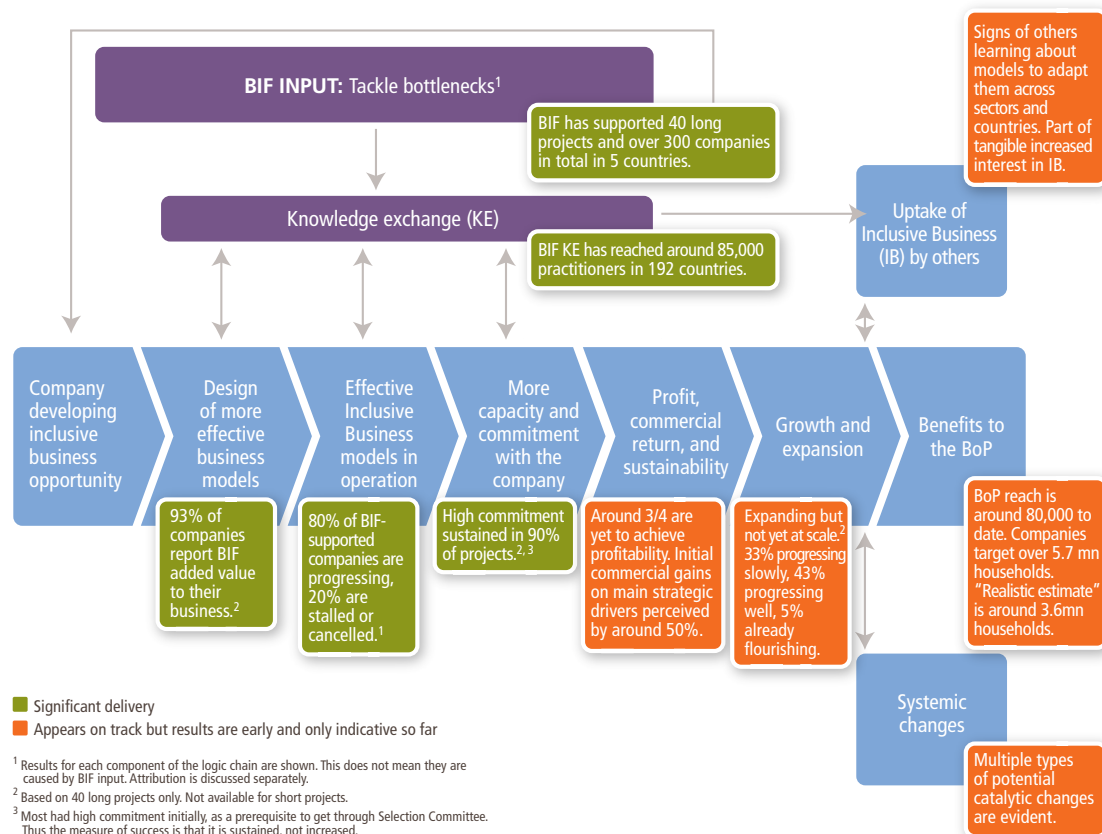
Reviewing progress against BIF's logic chain

Figure 12 shows the logic chain of BIF that was introduced in section 1, with some of the results now added against the relevant components of the chain. As the logic chain shows, BIF was tasked to deliver inputs on the left side of the chain, with the aim that many businesses should be on track for the results on the right by 2013. **R**

The first thing to note is that the experience of the BIF portfolio has confirmed the original logic of intervention and three of the core assumptions of BIF pilot design:

1. Inclusive businesses can benefit low-income people and ultimately a reasonable share should go to scale (see Section 5 and also our companion report, *'The 4Ps of inclusive business'*);
2. Technical assistance can help businesses to tackle some of the obstacles they face and make progress towards more robust business models (as detailed in Section 3 above);
3. The logic for sharing knowledge on inclusive business (discussed in Section 4 above) has also been seen to work, to the extent that good demand for and feedback on knowledge can be seen as evidence of results.

Figure 12: Progress against the BIF logic chain as of October 2013



So far we can say that initial steps show good signs of delivery, taking into account the strong likelihood in any portfolio of innovative enterprises that a share of business initiatives will fail. It is too soon for impact further along to the right hand side of the results chain remains to be evident, but we can see that the foundation for this impact is there.

Resources **R**

The Spotlight *'The Logic of the Business Innovation Facility: The rationale for donor support to inclusive businesses'* explains the logic behind development funds being spent in support of inclusive business bit.ly/BIFLogicSpotlight

³⁰ While it would be of great interest to many knowledge brokers to know what percentage of visitors use the material they view, the likely cost would be disproportionate to total BIF spend on the Hub of around £150,000.

³¹ We are aware of events on inclusive business in recent years that have cost anything from \$20,000 to \$500,000. Discussion with partners of BIF suggests around \$30,000 – 70,000 could be considered a reasonable cost to host an event to discuss inclusive business with national and regional business participation. However, data is varied and limited.

³² Publicly available data is lacking from other sites, but this seems to be reasonable value for money. We know of other sites that have cost more but reached fewer unique visitors; others that are perhaps double or triple the Hub in terms of both cost and reach; and other donor-funded or foundation-funded sites that cost millions of pounds, without knowing of any evidence that they also reach thousands time as many users or deliver thousands times more value.

6

Learning from the pilot: the how and why of inclusive business engagement

- > Experience in BIF underpins the case for donor support to inclusive business: TA makes a difference to business progress and inclusive business makes a difference to lives at the BoP. However, several caveats apply: TA done well helps some companies. Some inclusive businesses deliver at the BoP.
- > Defining the business proposition and TA input required hands-on collaboration with companies, which implies higher transaction costs than a more hands-off approach of a challenge fund.
- > Investment is needed to identify the right resources for providing TA and managing delivery.
- > Some companies cannot report the number of people at the BoP they reach.
- > A timeframe of 3.5 years is too short to effectively report true impact from inclusive business engagement.
- > It is essential to specify the appetite for risk, acknowledge likelihood of failure, and use other mechanisms to ensure quality of delivery.
- > Knowledge sharing on practicalities of inclusive business is welcomed by practitioners. Knowledge generation and exchange can be a cost-effective addition to a TA programme.

BIF has not only been learning about the results of inclusive business and donor support, but also the modalities of how donors and companies can collaborate effectively. This section highlights lessons learned – for effective delivery of TA, for knowledge exchange with business, and in general for donor-company engagement.

6.1 Developing the pipeline and portfolio

As a pilot, BIF had the flexibility to adapt implementation strategies based on experience, and document lessons that emerged. Managing a TA facility requires a number of steps, including development of a pipeline of potential projects, managing application and selection processes, contracting companies and TA providers, managing TA delivery, monitoring and learning from the projects. This section outlines some of the learning from implementing BIF which would be useful to a donor designing a new TA facility or incorporating technical support into its engagement with inclusive business.

Developing a pipeline of proposals for support

While BIF was not a traditional ‘challenge fund’ (see Section 6.5 below) it faced the same core issue: how to allocate limited donor resource amongst alternative business propositions so as to optimise impact. The process for encouraging proposals and selecting them was fundamental to this.

The original thinking when the BIF pilot was designed was that the pipeline would require a fairly wide ‘funnel,’ in that many companies would be engaged and might apply for BIF support, and then relatively few would end up having some fairly substantial support.

In practice, there has been a narrow funnel consisting mainly of companies and organisations reached through the existing networks of the consortium of organisations that implemented BIF and on-the-ground presence of BIF Country Managers. This was partly because the demand for TA seemed to be latent, particularly at first: the value proposition of BIF was only clearly communicated through discussion that explored company needs, because most companies assume what they need is cash. It was also because, even where the need for TA was clear, the exact nature of input required to help tackle bottlenecks, required much discussion. A third reason was that many of the inclusive business ideas themselves were somewhat ‘half-baked’, when they first appeared. There would have been little benefit to either partner to have a host of low quality applications either rejected or allowed to slip through.

While there are risks in this process, we believe that relying on a widely publicised open tender would have resulted in either very few proposals at all (because the need for TA is often latent), or in a raft of low-quality applications absorbing vast amounts of time to filter and delivering little benefit. A risk of lack of transparency and competition, was mitigated by selection being done by an external Selection Committee in the UK, while provision of public information about the project was integrated into the contracting process with companies. Another risk was that companies may lack ownership if Country Manager’s input was key to the design of the project and meeting strict deadlines. However, the Selection Committee has insisted on demonstrable company commitment to the venture, whether as signed Board support or staff investment, rather than in ownership of the editing process.

On the plus side, the collaborative approach stimulated the supply of quality inclusive business proposals that could benefit further from a formalised package of TA. Although this pipeline development is a significant cost to the donor it can be argued that BIF helped a large number of companies to improve and crystallise inclusive business plans through early BIF engagement even before any selection stage. Simply preparing the proposal for the Selection Committee provided a focus and deadline for the company to sharpen its plans. There have been cases where this did not result in a submission proposal, but the company nevertheless found the process useful for their own thinking.

“We are incredibly keen, and since our meeting with you, we’ve gone away to rethink our strategy on how we approach our programme in Bangladesh, as I think we both felt inspired and challenged (in a positive way) by the meeting. We always wanted to do something much more innovative and engaging, that had real value, and I think you helped us to see that even more clearly.”

Feedback from global retailer after meeting with BIF, November 2010

Selection of proposals to support

Building on lessons learned in other programmes such as DFID’s challenge funds, BIF implemented a single stage selection process that utilised an independent Selection Committee to assist with the approval or rejection of long projects. Members of the Selection Committee were well experienced in investment, fund allocation and business management. The Selection Committee added value both as a filter to screen out projects that did not adequately meet the BIF selection criteria and by strengthening projects through review and challenge during the Selection Committee meetings.

Analysis of the competitiveness of the project against the selection criteria was central in selection decisions (see criteria, section 1.1 above). Relatively few proposals were rejected outright and those that were, tended to be weakest commercially. The selection process evolved to ensure the application forms from companies were supplemented by input from BIF Country Managers feedback from DFID private sector development country advisors, on how the project aligned with the overall DFID country strategy.

Our main learning is that a single stage selection process worked well up to a point: for the majority of proposals it worked perfectly, providing a focused discussion and opportunity for feedback. In some cases, feedback led to revisions and resubmission, which was speeded up where necessary. Given the initial joint development of proposals at country level and the ability to resubmit, the system worked. If the selection process involved a simple ‘yes/no’ decision then it would have been very frustrating for all involved, and most likely the overall quality of long projects would have been significantly lower.

One challenge at selection stage was to define ‘match funding’. Input from BIF had to be matched with at least equivalent input from the company. In practice, the match was hard to define when the company has been investing substantial resources in a business but was limited in its ability to find further resource towards the TA that was funded by BIF. Their contribution to the specific task in hand was often in-kind through staff time and costs. However, this has led to a significant underestimation by BIF of the total company contribution to long projects, because the larger investment has not been taken into account.

The final lesson from the pre-TA stage is the challenge of contracting companies that successfully applied for TA. For donor programmes, the need for a contracting process can be a significant transaction cost of doing business with companies. The burden to DFID was reduced as BIF implementation was contracted to PwC and its partners. Nevertheless, donor norms regarding intellectual property and other standard terms and conditions may be challenged, and occasionally standards terms of donors, contractors, and legal teams in multinationals are irresolvable. In any programme contracting business it is important to plan a streamlined contracting process to speed efficiency, while still allowing for some query and delay.

6.2 Delivering effective technical assistance

Identifying the right TA input for an inclusive business is a key step. It also turned out to be a more nuanced and time-consuming step than first anticipated.

As Section 3 above illustrated, TA covered a variety of topics, though with a strong focus on business planning.

Country Managers worked with companies to develop the scope of work and identify the specific resources (i.e. business planning consultant, financial analyst, etc.) needed to support project implementation. In our companion report **‘The 4Ps of inclusive business’**, we explained that companies implementing inclusive business projects are often outside of their usual areas of expertise, and in collaborative partnerships that are very far from ‘business as usual’. This also has an impact in the design of TA support, as business managers “don’t know what they don’t know.” Unlike consulting services that companies would otherwise procure, their understanding of the outside expertise needed to support their inclusive business is often very early stage and/or misunderstood. Significant time is therefore needed to scope out the TA project and resources required prior to implementing support.

“The innovation on this project is also about this collaboration between sectors that do not normally work together.”

From an application for BIF support

“This was the most enjoyable, productive and comprehensive experience I have had in my time at [company name]”

“The workshop put us in a situation where we had to visualise the project, you allowed us time to think about things, we feel richer having been involved in this exercise”

Participants in Baseline Workshop (Zambia)

TA providers were either provided from within the consortium of organisations implementing BIF (see footnote 1 above), or sourced by the consortium from external experts. It proved valuable to have a blend of both international and local commercial business consulting organisations managing the programme. While the consortium approach could entail transaction costs as the ‘best available consultant’ was sought, it strengthened the value proposition to companies, some of whom needed local knowledge and some of whom needed expertise not available locally. There were also some very fruitful examples of a blended team of local and international consultants being drawn from a range of sources. Nevertheless, there were also a few occasions where the selected consultant did not work out. This reinforced our opinion that sourcing the right expertise to match the company is the most critical step of TA delivery, and that the right blend of expertise matters, particularly consultants that have experience working in both the private sector and international development.

There were of course situations where it was not possible or appropriate for TA to be provided by organisations within the consortium. Initially, where the right TA could not be sourced internally, companies were given a grant in order to hire the consultant themselves. However, this led to difficulties in getting access to outputs (e.g. M&E data, learnings) and BIF’s management of the services provided was too limited. Instead, BIF identified non-consortium consultants through the Country Manager and other networks, and then sourced them directly through a consortium partner.

The main lesson we draw is that donors should expect identifying the right resource for providing TA to be a major and complex task in a TA programme. There is a need for a rigorous and ongoing project management methodology and structure to manage the various inputs from multiple TA providers and stakeholders. Sufficient project management time is needed and clear-cut processes for initiating, managing, and wrapping up projects.



Working out what counts as success at a baseline workshop

6.3 Monitoring results with companies

The monitoring system in BIF was constantly managing two fundamental tensions.

1. The monitoring burden on companies should be kept light, to enable them to operate their businesses. Yet the monitoring needs of BIF, as pilot and a learning programme, were considerable.
2. As a programme initially budgeted at £3m (\$4.8m) and averaging £45,000 (\$72,000) of input per company, the principle of proportionality dictated that monitoring information should be reported by those already active in the programme – Country Managers, TA providers and companies themselves – and not by externally hired third parties. But data validity and the need to understand results at the BoP require monitoring that goes beyond what companies and BIF team members can provide.

These tensions led to the design of a monitoring system with the following key features

- Monitoring was heavily reliant on company input at the time of the baseline (post Selection Committee approval), at completion of TA input, and ex-post.
- A host of other data sources were used to add and triangulate data, particularly reports from Country Managers and TA providers
- Deep dive case studies were conducted, with university partners, on a minority of the portfolio to provide richer data than could be generated through the standard M&E system, particularly on social and commercial returns.

Many lessons were learnt about the limitations and strategies for monitoring business results with companies and of companies. One is that even mission-driven inclusive businesses may simply not have data on the number of individual people at the BoP that they engage. They may know the number of transactions completed, volumes of produce purchased, footfall or visitation, but unless there is a system for identifying each individual this does not provide the most basic social impact data needed by development-oriented donors – number of people at the BoP reached. Less surprisingly, they do not know the income levels of those people, and thus whether they count as ‘poor’. However, inclusive business managers can invariably explain why they count the clients or producers as bottom of the pyramid, which provides proxy indicators.

Another lesson learnt is to adapt language. In BIF and particularly in monitoring templates, we talked about ‘results’ not ‘monitoring and evaluation’, about ‘clients’ not beneficiaries, about ‘bottom of the pyramid’ not ‘poverty’ and where possible about ‘KPIs’ not proxy indicators.

Early on we reached the conclusion that to monitor company progress a donor programme needed to be big enough to demand information, or light enough to impose little burden, or useful enough to create incentives for companies to engage in monitoring. To the extent possible, BIF monitoring sought to be useful, especially

at the baseline stage, when workshops focused on what would and would not count as success, and what indicators companies themselves could track. Baseline workshop feedback was extremely positive. Companies in both Malawi and Nigeria report that they have gone on to use elements of the reporting system for themselves, and to demonstrate investors or funds that they are capable of tracking results.

There are a number of limitations, discussed further in our report on the M&E system, but the main one is that 3.5 years is simply too short a time to assess results from businesses that are on a discontinuous innovation path with many years still to come. **R**

6.4 Making good use of knowledge for other practitioners

BIF and the Practitioner Hub appear to have established a USP in what is becoming a crowded market. The USP is that they draw knowledge from the practicalities of experience. This USP is only possible because the TA instrument of BIF gives the team hands-on experience of the challenges of business models. For this reason, the combination of the two instruments has been cost-effective and enabled a distinctive contribution from BIF.

Developing knowledge outputs was not easy, particularly at first. The first publications took vast effort, but were essential to get the practice established and demonstrate the tone and type to others. Getting agreement from companies has also consumed a lot of time, though on the whole, willingness to share has been high.

Another challenge has been getting practical resources to those that most need them. Some of the deliverables from TA providers have been edited for publication. They may be very specific – such as how to set up a board of a company that has social investors or social mission. But if the deliverable of an expert to one company, which cost several thousands to commission, can be adapted for use by 10 or 20 others for little extra cost, the case seems clear. The challenge is getting the output to those others who need it. As the Hub has built up momentum and audience, it is easier to reach practitioners, but still a gap remains in reaching those who most need the resources, and are least well connected to information.

Two elements have been important to the success of the knowledge exchange of BIF, and are relevant to other similar programmes:

- Cultivating a reflective approach among the team members working across all activities, paid dividends. Simple techniques made a big difference, such as adding the question ‘what lessons did you learn’ and ‘what lesson would you share with others’ to a quarterly report template, or a company feedback form. In addition, face to face time for the international team, approximately once a year, was critical to generate cross-cutting findings.



Soji Apampa (BIF Country Manager, Nigeria) in discussion with BIF team members, during team week in Malawi, 2012

- Integrating those that engage directly with companies into creating knowledge outputs is key. It is hard work – busy people don’t always have time, relevant skills, keenness to blog, comparisons to draw upon. The editorial team invested a lot of time in shaping ideas that would be relevant to others and drawing comparisons across projects. But with support, TA providers, Country managers, and other BIF team members generated a diverse range of publications on the practicalities of IB.

6.5 Similar but different to a challenge fund

BIF has been categorised by some observers as a ‘challenge fund’ albeit one where TA was the donor offer to the company rather than grant funding, which is much more common. The BIF pilot indeed had some features common to challenge funds, which are also a mechanism by which donors reduce the perceived risk of a private sector initiative that combines commercial and social benefits. As with challenge funds there was an element of competition in that a company had to make a proposal that was then screened by an external Selection Committee. There was also a need for the company to share the costs of the TA provided in order to demonstrate commitment.

However, as we have noted already in this report there were a number of differences to many challenge funds, such as the following:

- The high degree of collaborative working between BIF managers and the companies involved, who were identified most often through networks rather than a public competition (although it was always made clear that there was no exclusivity in the arrangement).
- This co-creation meant that the attrition rate at the selection stage was far lower than with many challenge funds, with around 90 per cent being successful first time.

Part way through the pilot, the benefit of this collaborative approach was recognised and institutionalised by the creation of the ‘short projects’ which allowed resources of an average of £10,000 value of TA provider fees to be spent without the need for approval from an independent Selection

Resources **R**

The Spotlight ‘The M&E approach of BIF’ is a short summary of the approach the BIF team took to monitoring and evaluation of the projects in the programme portfolio bit.ly/MEspotlight2012

‘The M&E Approach of the Business Innovation Facility Pilot’ provides a thorough review of the M&E system, its principles, scope, and how data was gathered and analysed bit.ly/MEReview

Committee (nevertheless, the BIF UK team had to approve a Terms of Reference agreed with the company for “short projects”). A few of these short projects served as more formal precursors to the ‘large projects’ that were conceived in the latter stages of the pilot. As described in Section 3.3, in most cases the short input helped a company move forward in its planning or understanding of inclusive business, sometimes this included getting funding from other.

The way that BIF worked in practice was thus similar in some ways to elements of other kinds of private sector development programmes, such as the interactions that happen between programme managers and companies in some market system projects, or interactions between investees and their ‘active investors’ who provide consultancy support and strategic guidance.

R Resources

The Insider ‘When things don’t go to plan: Learning from the problems faced by inclusive businesses in the BIF portfolio’ shows how failure isn’t necessarily a bad thing for an inclusive businesses and demonstrates, with examples from the BIF portfolio, how valuable lessons can be learned from mistakes bit.ly/Off-trackInsider

6.6 Tolerating and managing risk

Risk is an inevitable part of the equation when donors engage directly with business. Certainly risk to the donor was inherent in the design of BIF for a number of reasons:

- A share of failures in the portfolio was anticipated because the aim was to contribute to those where TA could make a real difference to the prospect of success. Indeed, if 100 per cent of the portfolio thrived it would suggest little risk had been taken to find businesses that needed TA.
- The explicit intention was to support diversity so as to learn from them, which gave further reason to avoid ‘safe bets’. Indeed ‘learning from failure’ has been a constant theme. **R**
- The focus on early-stage businesses and innovative models that are unproven naturally increase the risk of some low performance – as well as increasing the chance for discover true innovation: supporting a model that has not been tested elsewhere may lead to a business model that facilitates a significant step forward for poor people.
- Results at the BoP are delivered by the business, not by a conventional sub-contractor who does the client’s bidding. Although the TA is managed by the programme, true impact derives from progress of the business to achieve commercial and social return. A good business will adapt to changing circumstance to achieve that, which means there is an element of unpredictability to what the business will do, as well as what the result will be.
- Businesses may be investing soundly at the BoP in one part of the business, yet engage in a practice, a value chain or a partnership for which they can be criticised, thus exposing the donor to reputational risk.
- The BIF set-up focused on a lean team in country and relatively rapid turnaround of proposals. While due diligence was essential, the kind of exhaustive due diligence or appraisal of the development context that other programmes might do, was not part of the approach.

There were also factors that mitigated risk. Compared to cash grants, TA is not fungible (it cannot be sold on), so one type of risk was immediately removed. The presence of Country Managers who were well established with business networks mitigated risk in country, particularly as TA requires continuous engagement, not the occasional signature on a cheque, so fraud or bad management were unlikely to emerge or escape notice. Risk management procedures were built in at pre-selection and operational stages.

The main lesson we take from this is the importance of establishing the programme’s risk appetite. If risk is tolerated in the pursuit of impact, it is important that incentives (such as targets) do not counteract this. So a share of failure should be accepted and expected so long as other mechanism are in place to ensure quality is prioritised, and other risks (such as mismanagement) are tracked and mitigated.

This fact is well recognised by others working on challenge funds:

“Experience from venture capitalists suggests that 25-75% of start-ups fail, and 10-20% produce significant returns.”

“If you don’t have a lot of failures, then you’re just not doing it right, because that means that you’re not investing in risky ventures.”³³

A somewhat different risk comes from the mere fact of working via business. In the BIF logic chain, business success is instrumental to achieving the ultimate donor goal: impacts at the BoP. This is still a challenging idea in some parts of the development community, and even amongst those active in ‘private sector development’ the word ‘profit’ is rarely heard, let alone praised as a prerequisite for impact. In the BIF team, we documented the programme logic at the start, but over time realised that clearer explanation was needed for external audiences on why thriving businesses were a means to BoP impact. In 2013, more effort was put into sharing the core logic of the programme. The rationale for business support thus exposes the donor to scepticism from others, making it all the more important to explain the logic chain very clearly, documenting the assumptions and evidence as they emerge.

³³ DCED Webinar on Results Measurement in Challenge Funds, January 2014, www.enterprise-development.org/page/download?id=2343

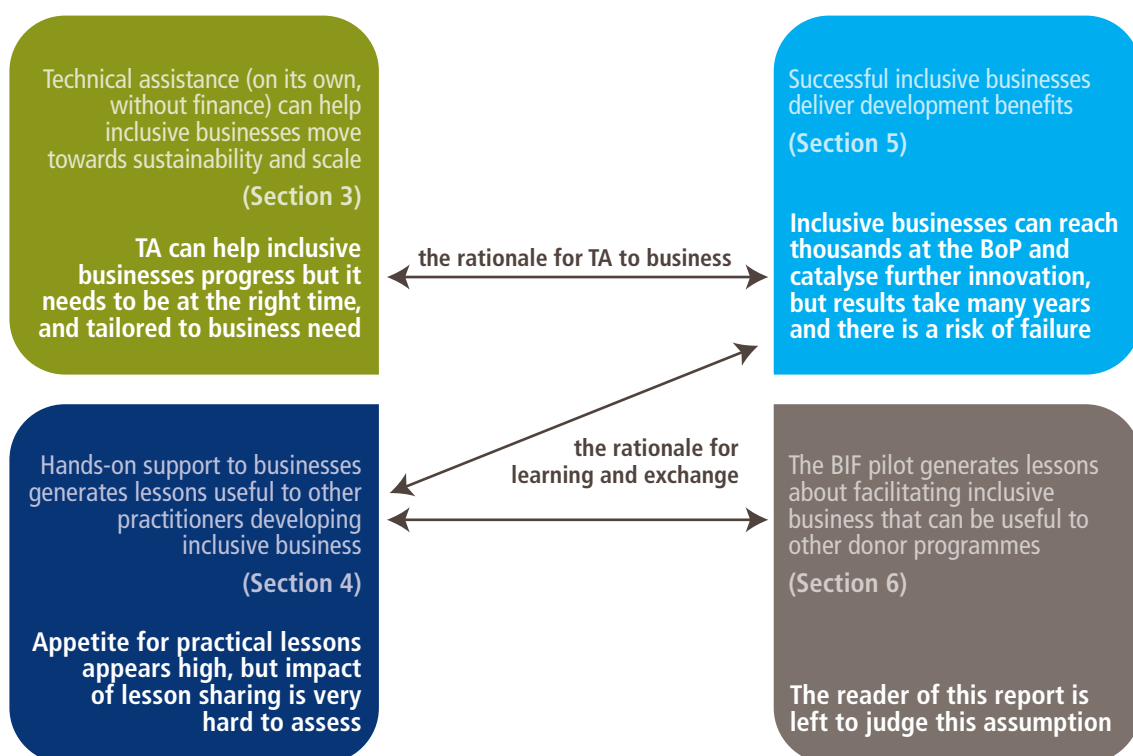
6.7 Revisiting the advantages, disadvantages, and assumptions of the BIF approach

BIF was designed with two specific instruments to use to support inclusive business. The pilot has demonstrated the advantages and disadvantages of each, from a donor perspective, as summarised in Table 8. Neither are simple nor easy. As we have suggested above, there are many nuances that shape their effectiveness, many of which the BIF team learnt during the course of the programme. On balance, however, we believe the BIF pilot demonstrated the validity of the two instruments and their rationale. Figure 13 summarises the findings and caveats in relation to these assumptions.

Table 8: Advantages and disadvantages of BIF instruments from a donor perspective

Instrument	Advantages	Disadvantages
Technical assistance to companies	<p>Clear value added to businesses in many cases.</p> <p>Focuses on what appears to the most critical issue for inclusive business development: getting the business model right.</p> <p>Relatively low cost input can make a difference boosting effectiveness of substantial company investment.</p>	<p>Needs to target business models that have potential but might not succeed in order to add most value. Some failure is to be expected</p> <p>Cannot tackle all company constraints: some things need finance.</p> <p>Does not address external constraints in the market.</p> <p>Results take many years to show.</p> <p>Relatively high management costs required to provide tailor-made and well delivered support.</p>
Generating and sharing knowledge about inclusive business implementation	<p>There is demand from practitioners, particularly in the South, but a relatively limited supply of information about inclusive business in practice.</p> <p>Through online exchange, a programme can reach tens of thousands of practitioners for a relatively small marginal cost, going far beyond countries of operation.</p>	<p>Effort needs to be invested in negotiating confidentiality with companies, and in setting up processes for gleaning insights and knowledge.</p> <p>It is difficult to ascertain who is using the information and how they use it, except beyond anecdotal feedback or via disproportionately expensive follow-up.</p> <p>Challenging to get new materials to those who are most likely to find value in them.</p>

Figure 13: Findings in relation to the assumptions underlying BIF.



6.8 Summary of implications for donors and design of inclusive business support

The BIF portfolio provides the following evidence that underpins the case for donor support to inclusive business.

Inclusive business can provide solutions that ultimately reach millions of low-income people with opportunities that matter to people's lives. It is therefore of high relevance to donors' mandates.

Because inclusive business is relatively unproven and innovative, companies investing inclusive business models face risks, costs and barriers that donor can help remove. Their business models require iteration before they can scale and some will fail. A company may need to build markets, skills or services that are public goods. Given the social returns that can be achieved, these are all reasons for donors to share risk with innovative business.

Technical assistance can be an effective tool to support inclusive business development

- TA can help companies to develop more robust business models, and/or speed up the process. Additionality is hard to quantify but in the case of BIF, 50 per cent found TA added high value, and 40 per cent medium value.
- TA can be useful for large companies as well as for small.
- To be most effective, TA needs to be carefully designed in collaboration with the company, and tailored to its specific needs at that moment in time. A collaborative approach based on country manager engagement with prospective businesses, which is quite different to a more regular challenge fund with less direct engagement with the company, was seen to be effective in the BIF portfolio.

While a short input of weeks or months can be useful, other cases require more sustained support (both in terms of the amount and the length of the TA provided). Donors need to find a 'sweet spot' where TA adds maximum value to help a business, without propping up a venture that cannot be commercial.

TA is not a cure-all, and some businesses will still fail, but in the majority of cases, it moves the business forward and can be well targeted to address key constraints in the development of the inclusive business models for relatively low donor investment.

Exchanging knowledge on inclusive business can be a cost-effective addition to a donor support programme

There are indications of a strong appetite for new knowledge about inclusive business in practice, particularly among practitioners in the South, and those interested in the nuts and bolts of inclusive business.

Information and insights in inclusive business can be delivered on the back of a technical support programme for a relatively small additional spend if it is integrated into programme design and the programme has global or multi country coverage. In the case of BIF, a spend of just over £0.5 million on generating a wealth of material and sharing knowledge reached over 85,000 users in over 192 countries.

Substantial results from supporting inclusive business take many years to show, and not all can be easily quantified

Inclusive businesses average 10 years from inception to scale, so depending on when donor support is applied, it will take several years for true results to show.

A share of failures should be expected, and embraced. If failure it may indicate risk-averse behaviour, which may diminish the value of donor input.

Inclusive businesses may reach millions at the BoP, but it not just the numbers that matter. The significance to each low-income person can be substantial (if hard to measure) given their lack of access to market opportunities and goods and services.

Aside from direct impacts among households at the base of the pyramid, inclusive businesses can create catalytic effects, influencing others up and down a value chain or across sectors. These can be intentional, and in some cases potentially transformative, but are difficult to capture.

When donors support companies directly there are a host of issues that can affect the effectiveness of the engagement

The rationale for engagement should be clear for both donors and companies – not necessarily identical, but with sufficient overlapping interest.

Programme management needs to adapt to the different language, culture and operational demands of public and private sector. Typical donor approaches to timing, contracting, intellectual property, monitoring and evaluation, and flexibility with respect to deliverables, have to be adapted.

Annex 1 Additional information on the BIF portfolio

Diversity of size and sector

The BIF portfolio is diverse and was intentionally set up with the flexibility to support businesses of different sizes and in different sectors in five contrasting countries: Bangladesh, India, Malawi, Nigeria, and Zambia.

Businesses are spread across several industry sectors, though with a heavy concentration in food and agriculture (50 per cent), followed by energy and infrastructure (18 per cent). All shapes and sizes of company are included, ranging from start-ups to large MNCs. The largest single group in the portfolio now is medium/large domestic companies (accounting for 14 of the 'long projects' and 10 'short projects').

Consumer or producer-focused?

We categorise our portfolio based on who benefits at the BoP. Just over half of businesses seek to engage people at the BoP as consumers, selling them appropriate and affordable products and services ('consumer-focused models'), and just under half engage them as producers or entrepreneurs in their value chain, providing income and market opportunities ('producer-focused models'³⁴). In most cases, the producers are smallholder farmers selling crops, livestock or fish into a supply chain, so our discussion of producer models focuses mainly on agribusinesses that source from farmers. In Bangladesh and Nigeria, the portfolios cover both beneficiary groups, while in Southern Africa the focus is mainly on producers, and in India all of the businesses are focused on low-income consumers. This is partly because of the predominance of agricultural sector businesses in the Malawi and Zambian portfolios. There are businesses targeting farmers in the portfolio in India, but as they are selling information services to farmers, they are 'consumer-focused' in our classification.



Copperbelt Energy Corporation (Zambia) seeks to expand smallholder supply of jatropha and other seeds into the supply chain

This difference between consumer and producer-focused businesses is fundamental, both to the design of the business model, and to the results that can be anticipated, as explored in the companion report, *'The 4Ps of inclusive business'*. Consumer-focused models face common challenges around market creation and distribution. Producer-focused models face common challenges around aggregation and smallholder engagement. Broadly speaking, a producer-focused model may reach several hundred or a few thousand people at the BoP, where as a consumer model may target hundreds of thousands, or in a few cases, millions.

Diversifying or core inclusive business?

The portfolio contained companies in which inclusive business is the core thing they do, and larger established companies that are diversifying into inclusive business (IB). This gives two categories of business³⁵:

- **Diversifying-into-IB:** An established medium/large company that is diversifying into inclusive business. This accounts for 65 per cent of our portfolio. The progress and results reported here relate only to the inclusive business and not the whole company.
- **Core-IB:** Cases in which the inclusive business is the core business model of the company. These tend to be starting-up or still small, but some (e.g. d.light) have already expanded significantly. They account for 35 per cent of our portfolio.

Although we have not found that progress varies much between these two categories so far, the approaches they need to take to develop and sustain their business models do differ.

Figure 17 shows the 40 'long projects' which are the main focus of our analysis in this report, categorised by these two core distinctions: consumer or producer focus, and whether the company is core-IB or diversifying-into-IB. An example is shown in each quadrant.



One Family Health aims to roll out a network of 100 micro-sized clinics, in Zambia, with each outlet serving an estimated 7,500 people per year

© One Family Health

³⁴ One business is primarily focused on BoP as distributors. For the purposes of this report, as the distributors are earning an income for providing a service, they are treated as producers. Several businesses have a secondary beneficiary group, which are often distributors or entrepreneurs. For the sake of simplicity, they are not covered here.

³⁵ One project in the portfolio cannot be clearly associated with one category because the project is lead by an international organisation aiming to develop supplier capacities. For the purposes of this report it is classified as consumer-focused and diversifying into IB, as the nearest approximation.

Figure 17: The forty inclusive businesses in the 'long project' portfolio, classified by BoP focus and company type



iSchool was set-up to provide e-learning for Zambian school children

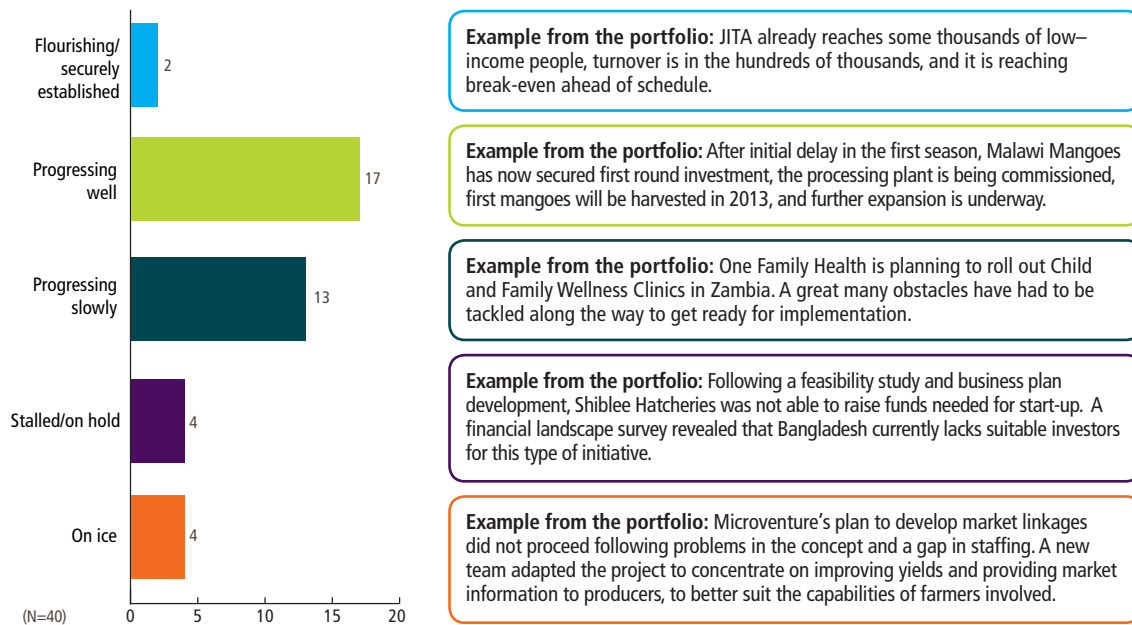


AACE: sacks of ginger from a cooperative supplying AACE foods in Nigeria

Business progress

As is to be expected from any portfolio of highly innovative businesses, at the end of a three year pilot some are flourishing commercially while others are doing less well. As of September 2013, based on our portfolio of 40 'long projects', around 80 per cent of the inclusive businesses we worked with are making progress. Of these, two companies are 'flourishing' and just under half are assessed as 'progressing well'. The remaining 20 per cent of companies have currently stalled (potentially to resume) or are 'on ice' (see figure 18).

Figure 18: Business progress, from 'flourishing' to 'on ice' (BIF team assessment, September 2013)

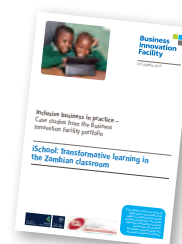


Additional resources

Inclusive Business Case Studies

Seven in-depth case studies chart the journeys of BIF-supported companies in sectors that include agriculture, education, ICT, banking, energy and retail. These honest and inspiring accounts look at what counts as success and the factors that have created it. They assess the context and mechanics of the business model, the actual or likely commercial returns, emerging development impacts and the value of BIF support. bit.ly/Deepdives

Further detail on all of the businesses supported by the Business Innovation Facility can be found at: bit.ly/BIFportfolio



Inclusive Business Know-How

The BIF pilot has supplied a wealth of understanding on challenges, and approaches in inclusive business. Drawing on this experience, a starter-pack, and a number of tools and checklists have been created to support companies and practitioners as they develop their inclusive business venture. They include practical advice and information on topics such as distribution channels, partnerships and access to finance. bit.ly/HubKnowHow

The 'know-how' section on 'Facilitating inclusive business' is aimed specifically at those whose role is one step removed from business operations, at those supporting, funding or facilitating inclusive business ventures. It offers tools, resources and advice based from the BIF pilot and others. bit.ly/DonorKnowHow

All BIF publications can be found at: bit.ly/HubPublications



Inclusive Business Analysis

Each report in the 'Inside Inclusive Business series' explores, in detail, one aspect of inclusive business. The aim is to share practical ideas and solutions, as they have emerged from BIF-supported businesses, in ways that are relevant to other business and development professionals. They focus on issues including, reaching 'the last mile' consumer, creating effective partnerships, building demand, affordability and accessibility when selling to the BoP, and linking smallholder farmers to markets. They can be found at: bit.ly/HubInsiders

The Practitioner Hub on Inclusive Business hosts all the outputs of the BIF pilot plus other resources, a range of other material about and from inclusive business. www.businessinnovationfacility.org



This report is one of two companion volumes produced at the end of the BIF pilot:

'The 4Ps of inclusive business: How perseverance, partnerships, pilots and passion can lead to success' bit.ly/4PsIB

'Adding value to innovation? Lessons on donor support to inclusive business from the business innovation facility pilot' bit.ly/IBdonorsupport



For further information on all Business Innovation Facility projects and to access our resources, go to: www.businessinnovationfacility.org

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