Review of the Business Innovation Facility Project Portfolio 2012

Year 2 of the three year pilot

Business Innovation Facility Project Team
August 2012

Content

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About this document

Building on our first portfolio review conducted at the end of Year 1 (July 2011) , this documents summarises the key findings across the aggregated portfolio at the end of the Business Innovation Facility's Year 2 (July 2012) .The analysis is based on various data sources from a total of 33 selected cost-sharing projects* and feedback provided by service providers. During the data analysis process we realised that some key questions were hard to assess based on the 'raw data' . Some examples are listed below:

- How much do we really understand about a project's likelihood for commercial success based on whether a project has high or low turnover estimates?
- How can we compare projects implemented by small start-up companies with projects driven by large multinational corporations (MNCs)?
- Can we understand development impacts solely based on the number of people estimated to be reached?
- Which other dimensions of social impact should be considered to get a clearer picture?
- Many projects cannot report against our universal environmental indicator, does this really mean we hardly have any 'environmentally focused' projects in the Facility's portfolio?

Attempting to answer those questions, build a more holistic understanding of our current portfolio and enable better comparison between different types of projects ,we have supplemented project data with our team's assessment in different areas and have developed a range of 'indices'.

The main ones are:

1. Project Maturity Index,
2. Commercial Viability Index
3. Development Index
4. Environmental Index

The final assessments/ scores for each project and index have been used in various graphs throughout this document.

Each index is based on a composite of different indicators and ratings (e.g. red, amber, green or high, medium, low likelihood, or simple yes/ no answers). We have then developed a ranking and scoring system for converting judgements into quantitative indicators and calculate final indices. All assessments represent a snapshot for each project at this moment in time.

For reasons of commercial confidentiality, all project examples based on any of the indices are non-attributable to specific companies or projects respectively. We have developed a coding system based on country, project number and main beneficiary type. E.g. "M4P" refers to a project in Malawi with producers as main beneficiaries, I3C refers to a project in India with consumers as main beneficiaries, etc. More information on project coding is included on page 4.

*The Business Innovation Facility provides different levels of advisory support, facilitation and technical assistance. Cost sharing projects refers to intensive support to companies in our longer projects. In these cases, technical assistance is financed by both by the Facility and the company, and there are a number of reporting points, such as application forms, baselines, and progress reports.

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Key messages from the review

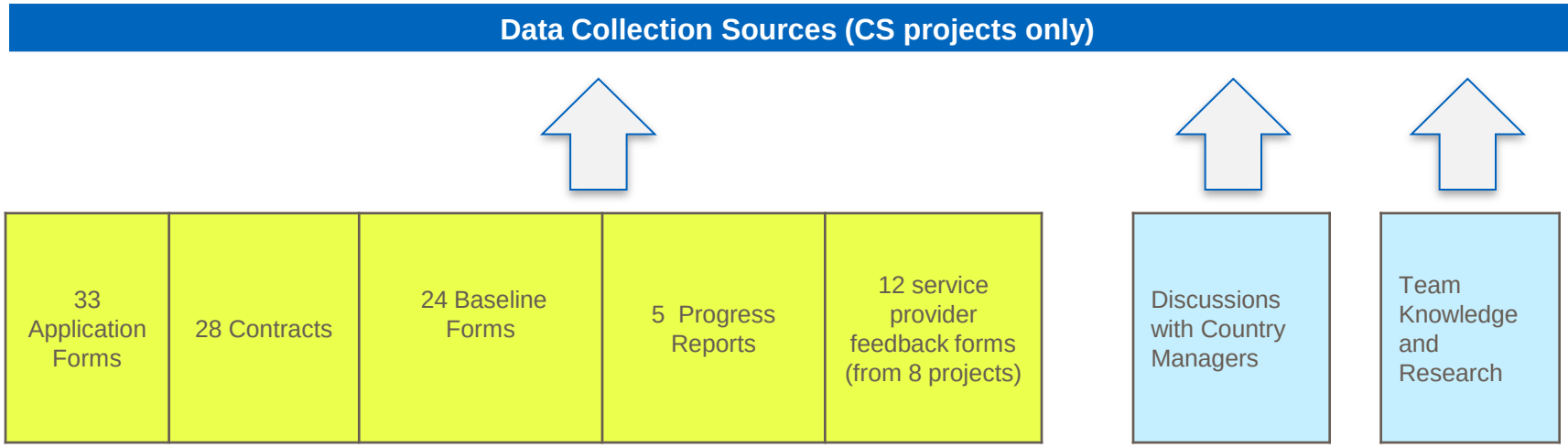
Progress/ Targets	Project numbers are on track. Project numbers approved are in line with overall targets.
Inclusive Business projects/ Lead organisations	There is diversity in the portfolio. Two thirds of the projects are led by domestic companies. These are mainly medium/large companies.
Inclusive Business implementation process	There is a balance between consumer-focused and producer-focused inclusive business (IB) models, but regional variation. In terms of project maturity, we see variation from 'early design' to 'shifting to scale'. Financial constraints are common across many projects.
Commercial viability	Five projects have reached breakeven. Some will take years yet. Projects are broadly on track. Company commitment is high. Size by profit and turnover does and will vary enormously, so averages and totals are misleading.
Development results	Across the portfolio, projects currently reach 1.9 million base of the pyramid (BOP) people, and could increase to 3.5 million (or from 90,000 to around 1 million if the largest outlier is excluded) after a year. Eighteen appear to have a fair likelihood of reaching the BOP at scale at some point. Taking into account significance per person, replication, and systemic results, at least four projects have truly substantial potential development impact. Very few score low.
Business Innovation Facility input	The main type of input requested and provided is in business planning. In many cases it is seen by the company as core to business effectiveness, sometimes as critical to survival.

Implications

1. Data so far reinforces our expectation that the portfolio will include those that fail, survive and truly scale. So far the majority are in the middle – this is expected to change over Year 3.
2. The Facility's portfolio as a whole is likely to be able to report high numbers of people reached at the BOP within a year or two (1 to 3 million). This is useful for 'headlines'. But the more in depth data shows great variability in type of development impact. Reach, significance, replication and systemic impact will all be important to different projects.
3. To date our 'winners' (high viability and high impact) are B1D, I2C and N4C. A commercialised NGO, one MNC and one large domestic company.
4. There is plenty of diversity by type and size of lead organisation and IB model but, so far, no clear pattern emerges as to how these affect results.
5. Differences between countries and between reach to BOP consumers and reach to BOP producers are beginning to emerge.
6. The review illustrates that it is essential to look beyond 2013 (i.e. the contractual life of the Facility) to understand the portfolio and its results.
7. Weaknesses in the data are a major caveat. The importance of judgments from country managers and service providers is clear, though these are of course subjective.

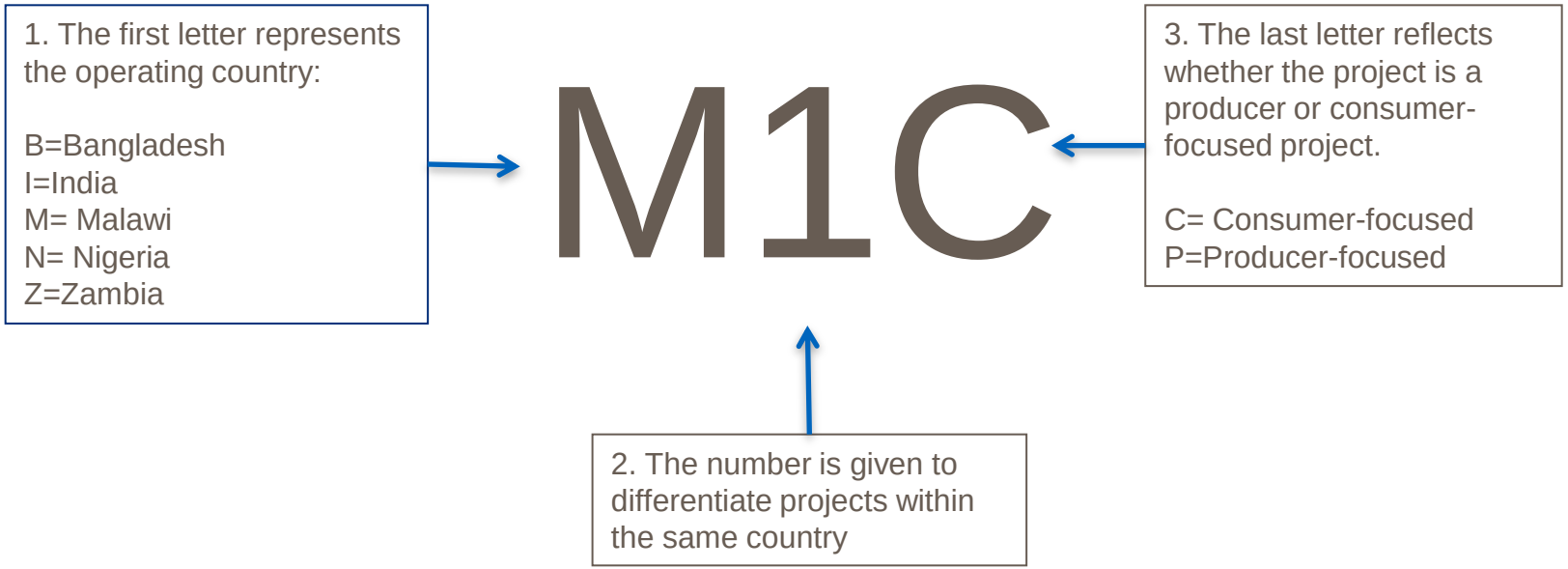
Data Sources used for this review

Total number of cost-sharing (CS) projects	33
Total number of non-contracted support (NCS) projects	46



Explanation of Anonymised Project Names

- In this report we have used the following way of anonymising projects. The example project name below explains how the coding works – and represents a **consumer focused project in Malawi**.
- In cases where we do further analysis e.g. by lead company type, we have used symbols instead of project codings to ensure individual projects remain fully un-attributable to analysis conducted by the Facility's team. If project names are given, information is already in the public domain or agreement has been sought by our project partners.



1 The project portfolio

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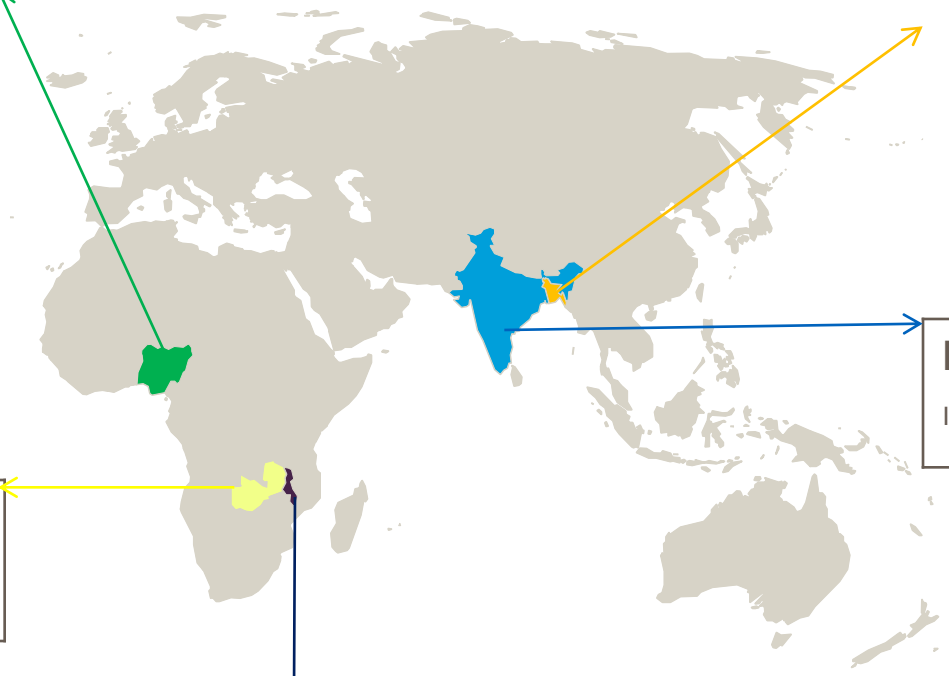
The Current Cost Sharing Project Portfolio

Nigeria - 5

N1P, N2P, N3P, N4C, N5C

Bangladesh – 8

B1D, B2P, B3P, B4C, B5P, B6P, B7C, B8C



India - 6

I1C, I2C, I3C, I4C, I5C, I6C

Zambia - 8

Z1C, Z2P, Z3C, Z4P, Z5P, Z6P, Z7C, Z8P

Malawi - 6

M1P, M2P, M3P, M4C, M5P, M6P

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2 Lead organisations

What type of organisations do we work with?

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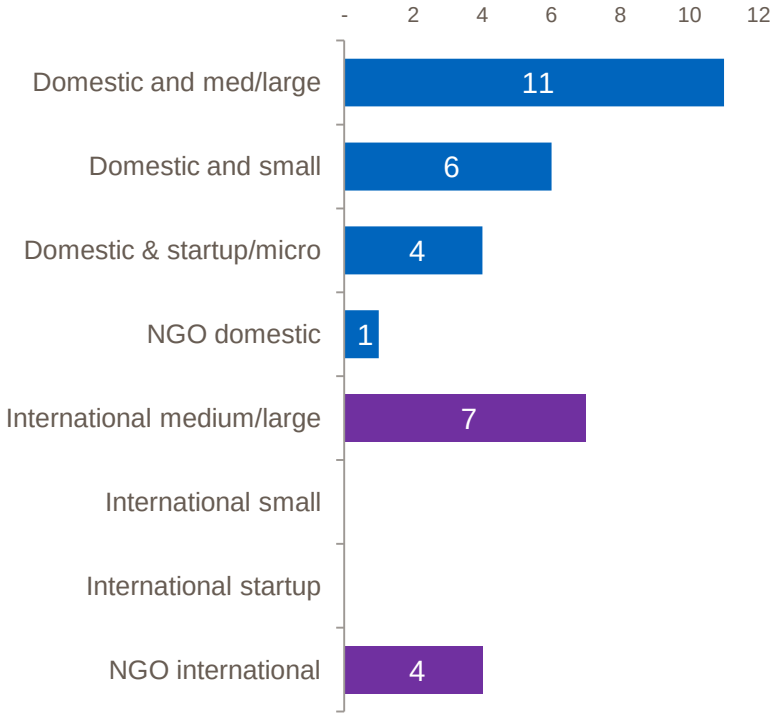
A diverse portfolio of lead organisations

- Lead organisations for CS projects are defined as the organisations with which the Facility has a contractual relationship.
- **We differentiate between lead organisations and the actual IB project.**
- They may differ widely – e.g. the lead organisation may be an MNC but the IB project is a start-up.
- The portfolio is diverse: two thirds are domestic and one third are international companies; large, medium and small.
- Most are established companies but there is a sprinkling of start-ups.
- Just over half of the 33 projects are medium or large (size based on employee numbers).

Number of projects by size of lead organisation (N=33)



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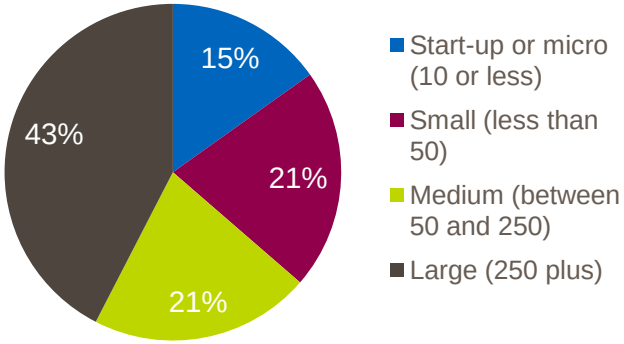
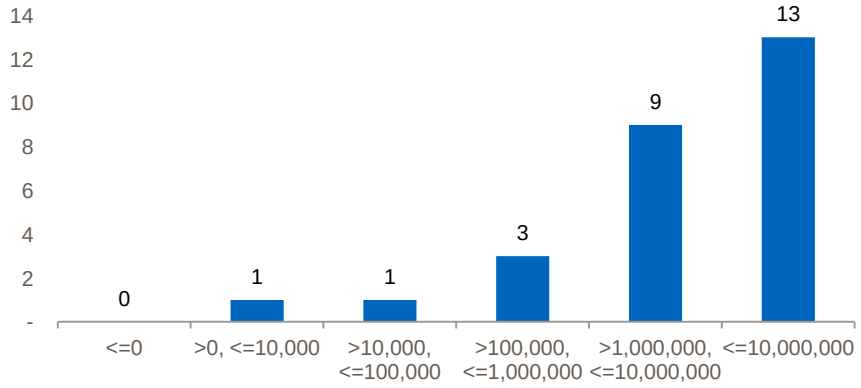
Medium and large companies predominate

Lead organisations categorised by number of employees (N=33)



Categorisation of Lead Firm Turnover ($) (N=27)



- In terms of the **lead organisation** (not the IB project), medium and large companies predominate the portfolio.
- Amongst the 33 contracting organisations, 81% have turnover over $1 million and 43% have over 250 employees.
- Only 7 are MNCs.
- However, not all are medium or large companies: 9% of lead organisations count as start-ups and 15% of lead organisations are NGOs.

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3 Inclusive business models

What type of projects do we support?

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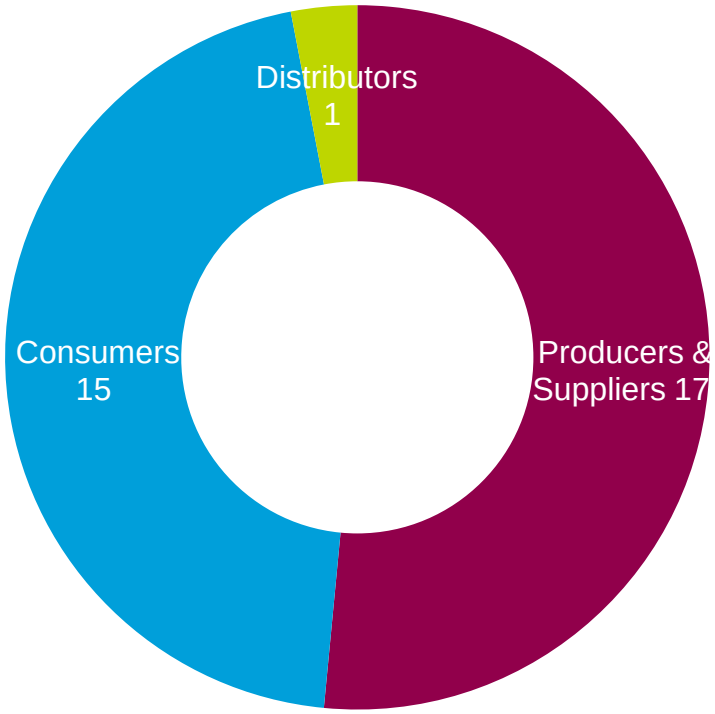
Base of the pyramid focus

- The portfolio is fairly evenly split between inclusive business projects that primarily benefit consumers at the base of the pyramid and those that benefit producers. However, there is a marked difference between countries: only consumer focus in India, and mainly producer focus in southern Africa.
- Some projects also have a secondary group of beneficiaries. E.g. in the case of Jita in Bangladesh, thousands of women distributors are the primary focus, but the rural women consumers who also benefit run to almost one million.
- It is important to note that a project is 'consumer focused' if it sells goods and service to the BOP – even if they are farmers and their livelihood is production, E.g. mKRISHI in India offering personalized and integrated services in local language to farmers on their mobile phones, or MCX GSK initiative providing agricultural inputs, expert advice, warehousing and future pricing advice to farmers through the Postal network.

Projects by primary beneficiary type (N=33)



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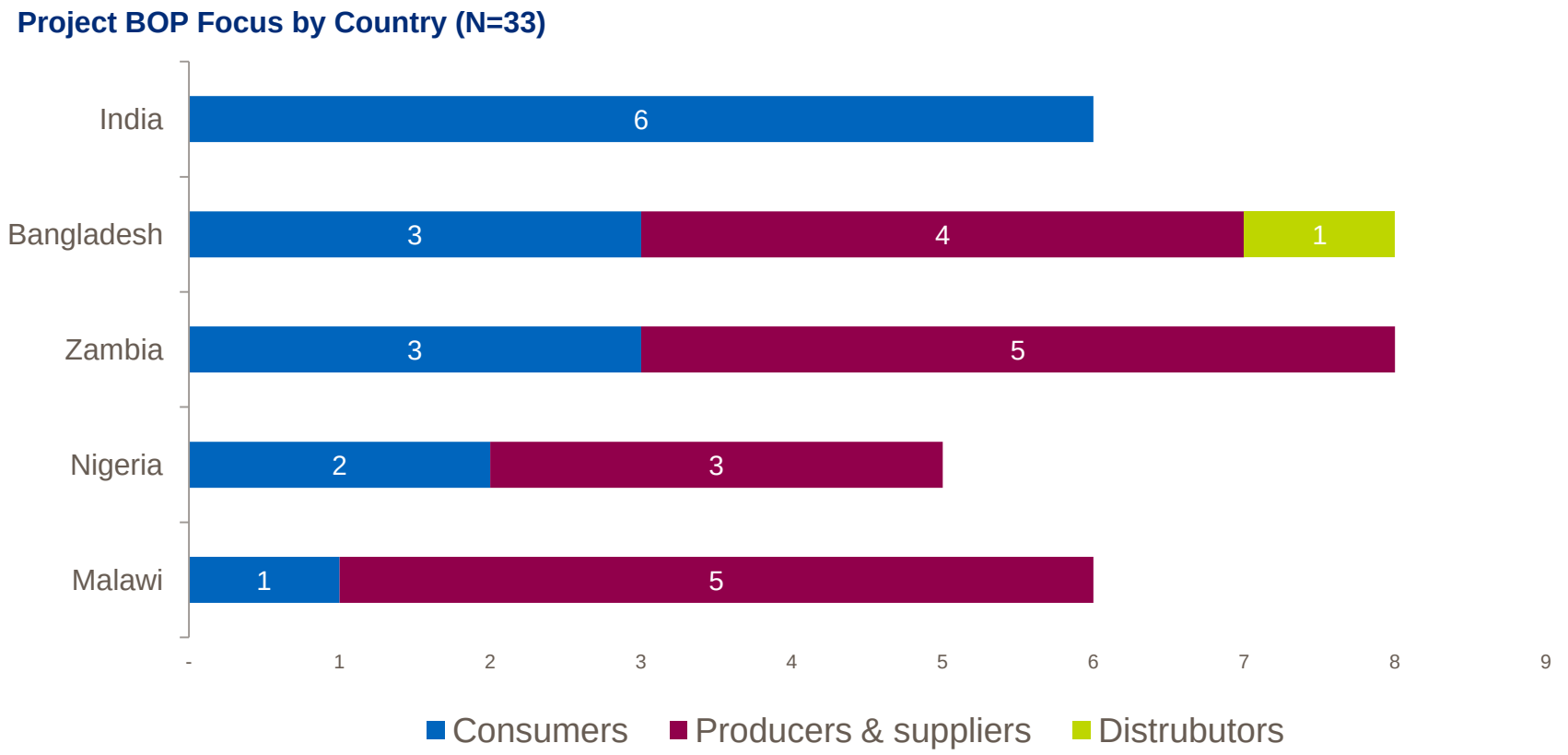
Base of the Pyramid Focus by Country



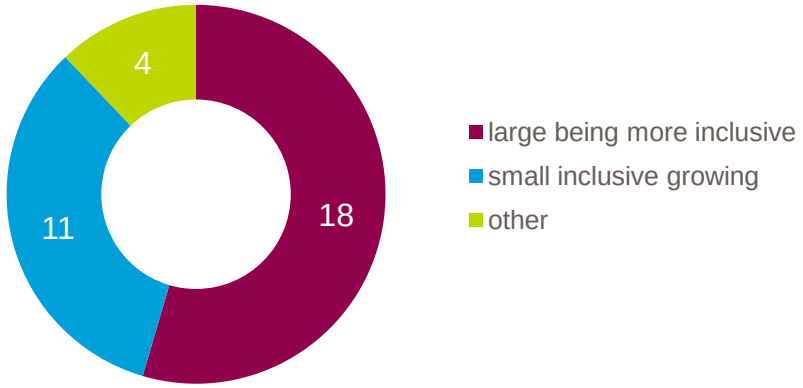
Project relationship to lead organisation

We have identified various ways to categorise a project's relationship to its lead organisation.

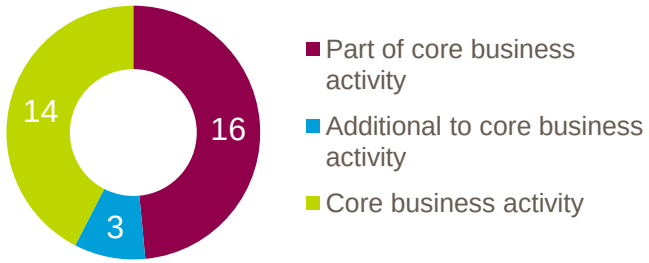
E.g. of the 18 projects which are categorised as a 'large companies becoming more inclusive', 5 count as part of core business and 10 count as start-ups.

E.g. Oando is categorised as a large company with an IB project that is part of their core business and start-up

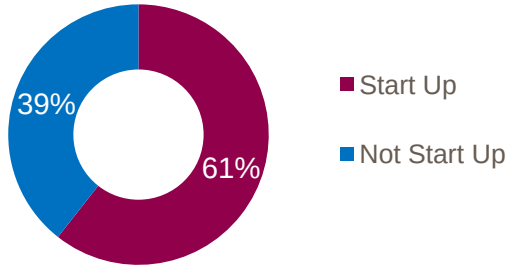
Portfolio Breakdown of type of project (N=33)



Portfolio Breakdown of Inclusive Business Type (N=33)



Portfolio Breakdown of Start Up/ Non Start Up Projects (N=33)



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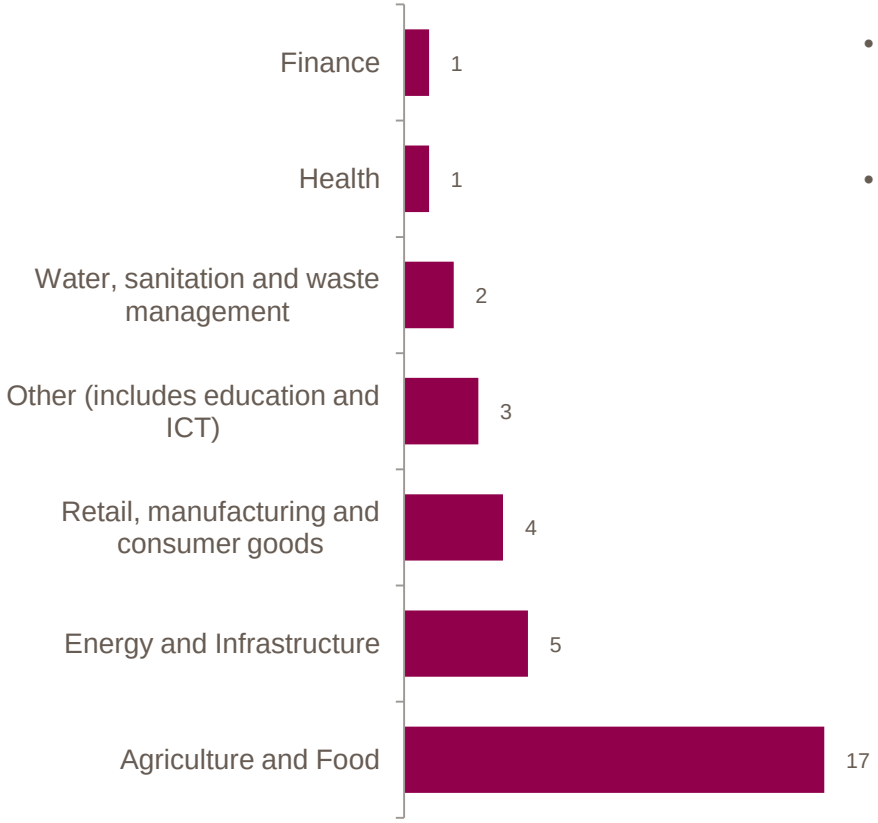
Projects by sector of operation

Number of projects by sector of operation (N=33)



- For reporting purposes we cluster projects in seven main sectors (see diagram).
- Projects are spread across many sectors, but with a heavy concentration in agriculture and food.
- 'Agriculture and Food' includes projects that sell to farmers (e.g. ERAS - soil testing kits), purchase farm products for processing (e.g. Malawi Mangoes - mangoes for juice, TATA Tannery - hides for tanning), or are sourcing for food manufacture (e.g. Sylva Foods - soups) or retail sale (e.g. AGORA - urban supermarkets).

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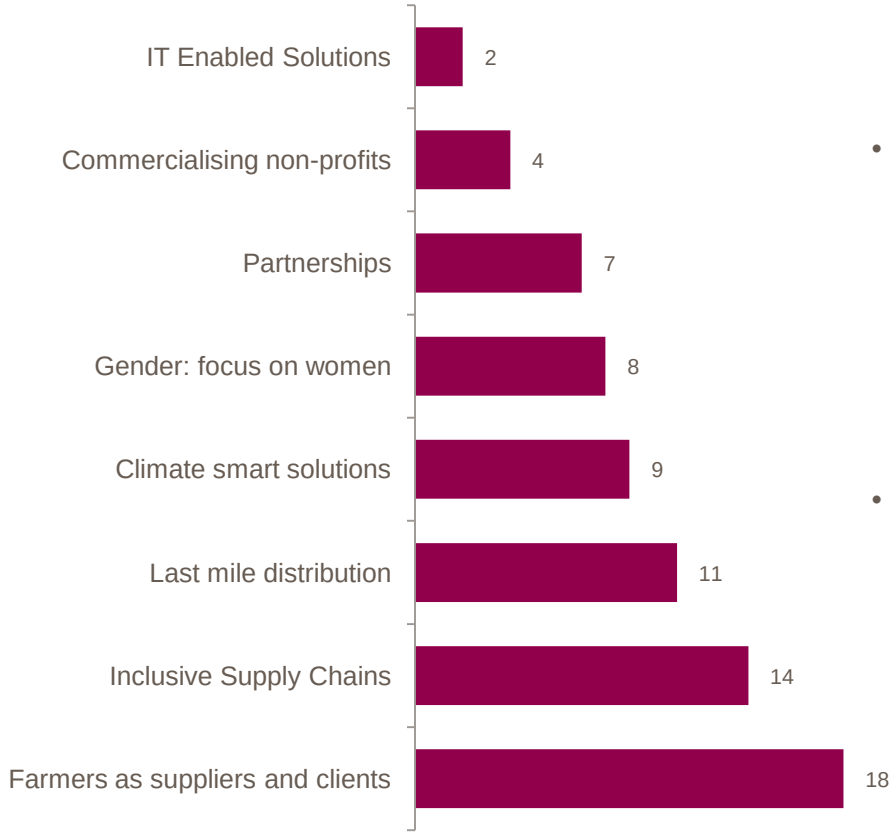
Business model focus

Projects relevant to IB 'Know-How' Themes



- Our eight inclusive business 'Know-How' themes focus on aspects of inclusive business model implementation, rather than sector of operation. They look at particular challenges, themes and approaches in inclusive business.
- Not surprisingly, the three main themes are:
    1. Working with farmers as suppliers and clients
    2. Inclusive supply chains (includes agricultural value chain projects plus some SME inclusion)
    3. Last mile distribution to reach BOP consumers.
- So far we are surprisingly light on projects that have a clear use of IT-enabled solutions.

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4 Inclusive business model implementation process

What are the common challenges and constraints?

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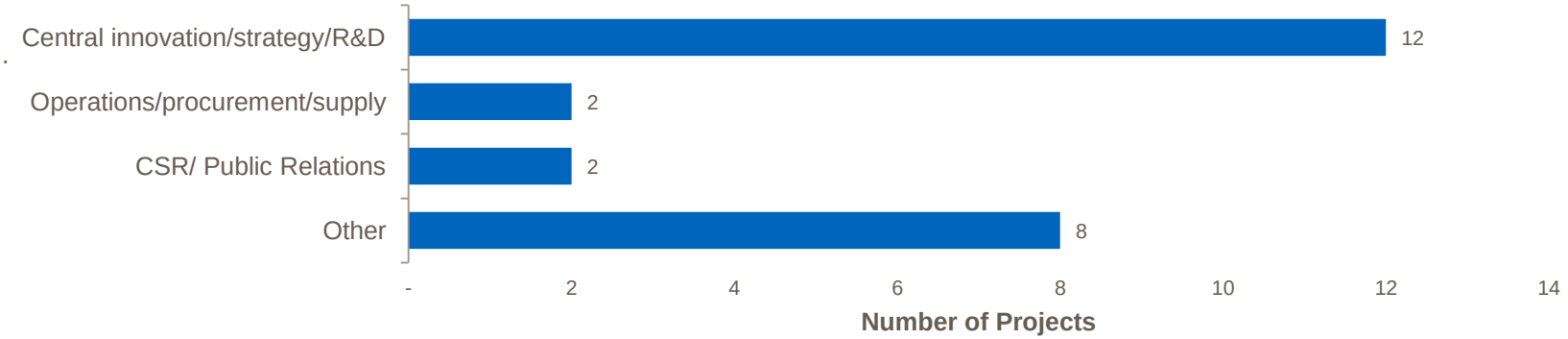
Driving departments in lead organisations

Lead department driving the Inclusive Business Project (N=24)



- The majority of projects are driven neither by a company's Corporate Social Responsibility (CSR) department nor Operations, but by Central Innovation, Strategy or Research and Development (R&D) departments. Two projects are driven by Operations
- In some cases, during Facility support, the lead department has changed, e.g. from the Innovation Team to the Commercial Team, with strongly positive results.

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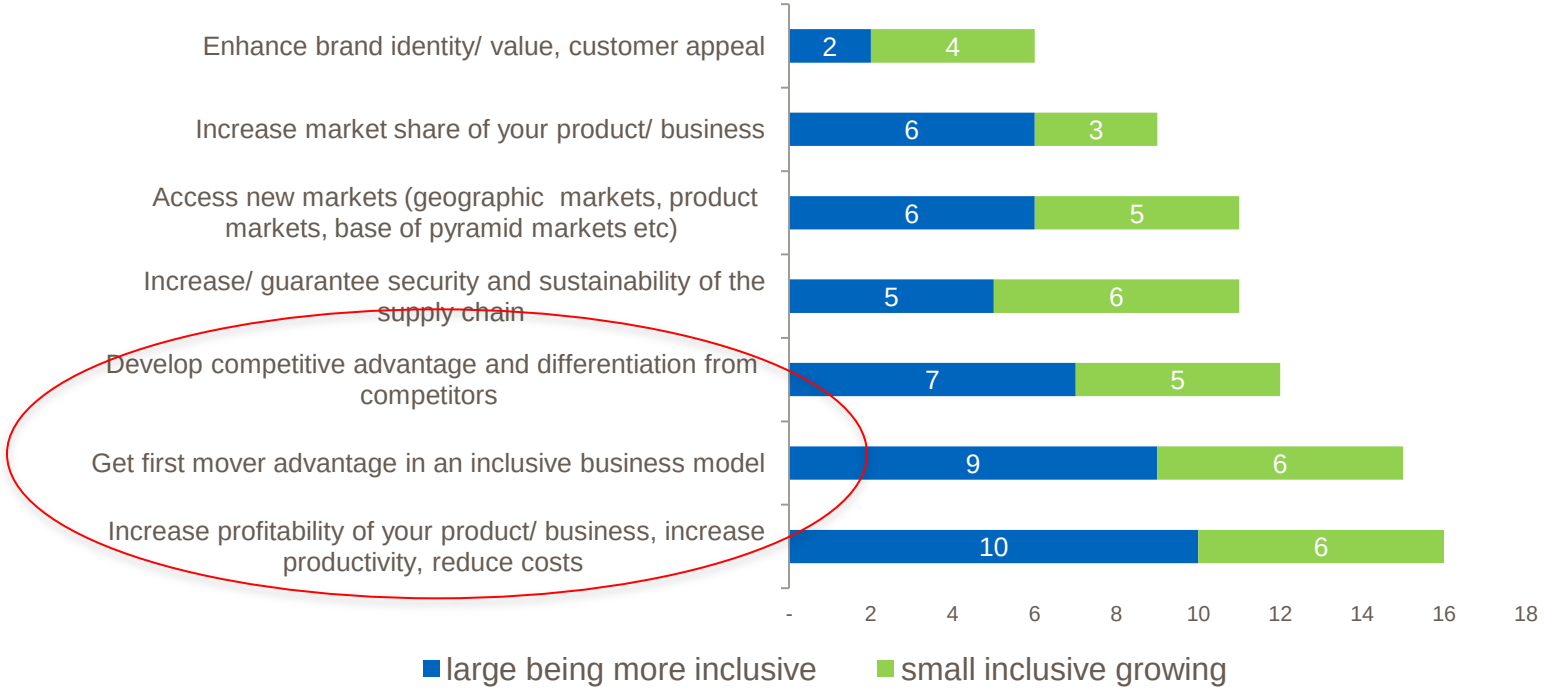
Commercial drivers of an inclusive approach

The top three commercial drivers of an inclusive approach (as identified by Facility projects at baseline stage) are to increase profitability, get a 'first mover' advantage and develop competitive advantage. This suggests that the Facility is working with companies for whom inclusive business is indeed a commercial proposition.

Breakdown of commercial drivers - split by type of project approach: "Large more inclusive" and "small inclusive growing"



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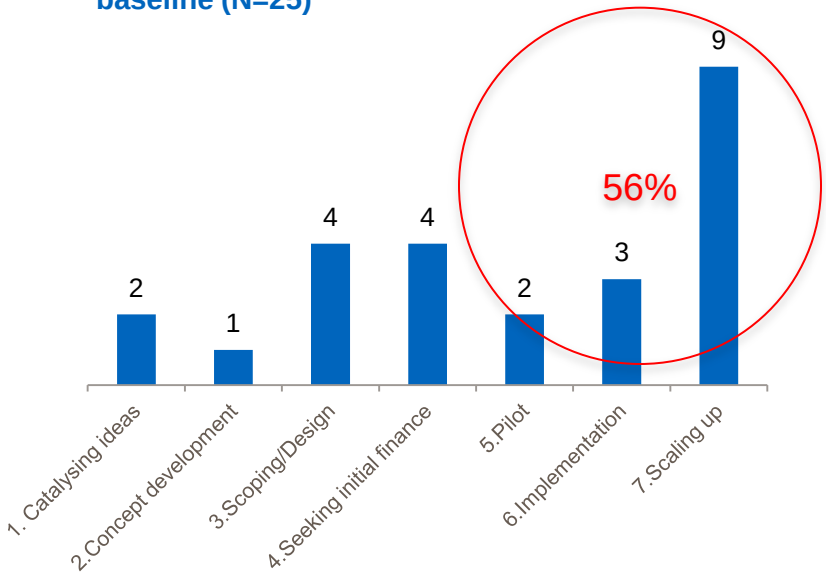
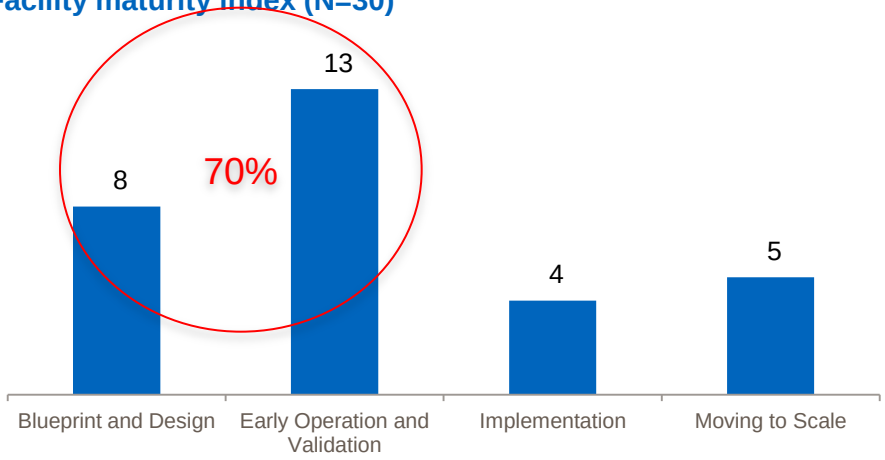
Current project maturity

Project stage based on self categorisation at baseline (N=25)



Project Scoring based on Business Innovation Facility maturity index (N=30)



- Ideally, the IB projects will make progress from design through operation and towards scale during and after their Facility support. However, measuring this is quite difficult. In practice, categorisations are fluid not fixed.
- Many projects score themselves as already well progressed at the time of baseline (see diagram on the left). Our more conservative maturity index put the majority in 'early operation and validation' (see diagram on the right); If projects are expanding but currently rolling out at a small scale, or do not have a business plan, we do not count this as 'moving to scale' (see further explanation on the indices on Page 3).

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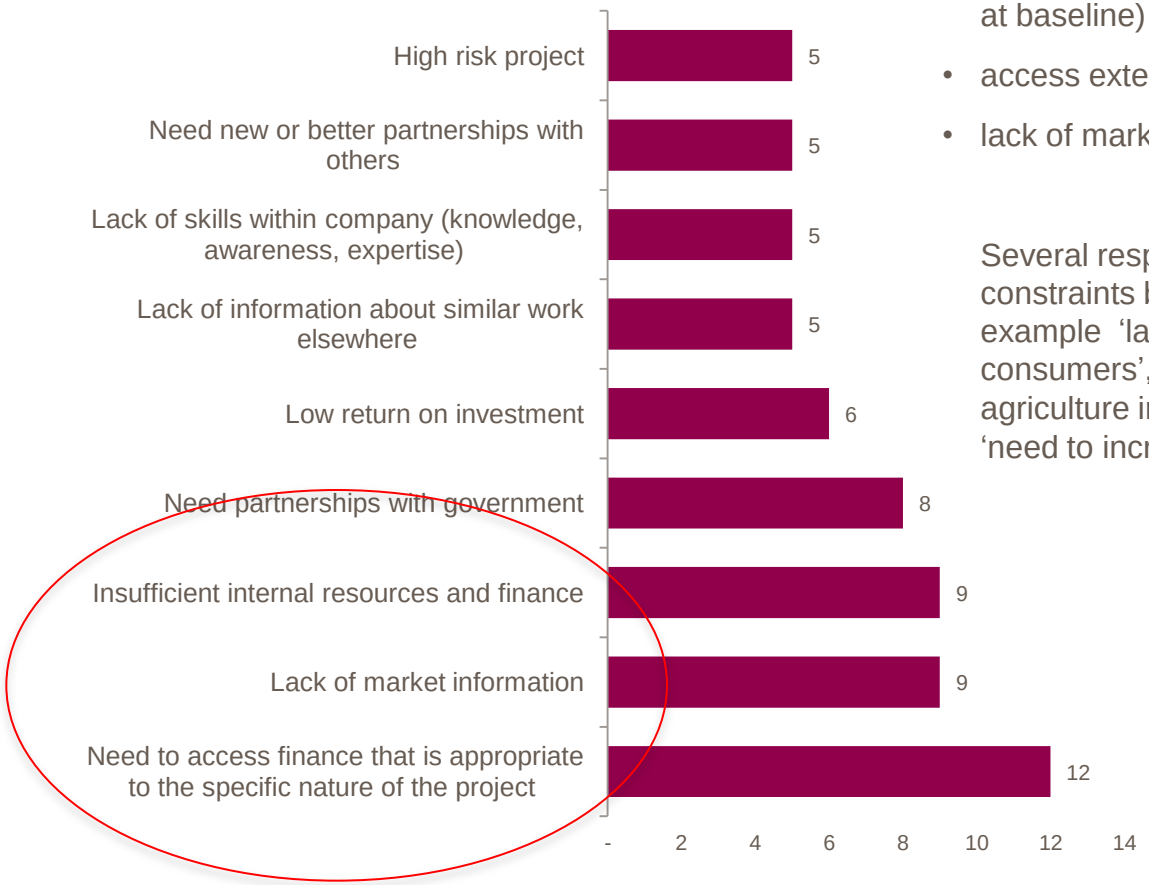
Project constraints identified at baseline

Top 9 Most Identified Constraints at Baseline



The **most commonly identified challenges** (by projects at baseline) relate to the need to:

- access external and internal finance
- lack of market information.

Several respondents (10 projects) identify additional constraints beyond those in our list, including for example ‘lack of scalable distribution model for rural consumers’, ‘lack of operational knowledge of the agriculture industry like Supply Chain Management’, or ‘need to increase operational efficiency’.

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Key Success Factors

Which 'key success factors' do organisations consider already strongly present for inclusive business in their organisations? A score of 1 means the ingredient is currently virtually non-existent and 7 means it is already very strong, (N=25)

Answers suggest that project mangers tend to score their projects remarkably highly when asked whether typical Key Success Factors are in place. Active support from senior managers scores 7/7.

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Partnerships within the IB projects

	Average Number of Partners at Baseline	Average Effectiveness (1-4) at Baseline	New Partners (only asked for those with Progress Reports)
Commercial	1.4	3.6	2
Non-profit organisations (NGOs)	1.4	3.3	2
Government	0.8	2.8	0
Trade Associations	0.2	2.7	0
Research Organisations	0.2	2.5	1
Funders	0.2	3.6	0

Most projects have at least one commercial and one NGO partner – some have several.

Projects also seem to consider partnerships already quite effective.

Partnerships with other types of organisations are more rare and also rated as less effective.

Amongst the four completed projects that have reported on changes in partnerships, three report new partnerships – with business, NGO or research institution. No other substantive changes were reported.

5 Commercial indicators

At what level of commercial activity do the IB projects operate, and what level do they expect to reach in the future?

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Commercial Viability of Inclusive Business

The focus of our commercial analysis is to address the following key question:

What is the likelihood of the inclusive business project reaching commercial viability?

This indicator influences the sustainability of an inclusive business project and thus long-term chance of development impact at scale.

This section focuses on commercial results of the **inclusive business venture**, NOT of the lead company that contracts with the Facility – though on occasion they are the same thing

- To answer this question data on ‘actuals’ and ‘future estimates’ for the inclusive business venture is collected at Baseline stage.
- Most projects are too early-stage for analysis based only on percentage changes in financials. So, a number of additional indicators are also analysed including:
  - Does the business have a business plan?
  - Is there evidence of strong leadership?
  - Is it on track against identified targets?
  - Do they have access to external leverage?
- Our dataset includes data gaps and significant variations in size/type of venture. Averages can therefore be misleading.

Five projects have reached breakeven at baseline (N=19)

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Project Turnover and Profit data – outliers

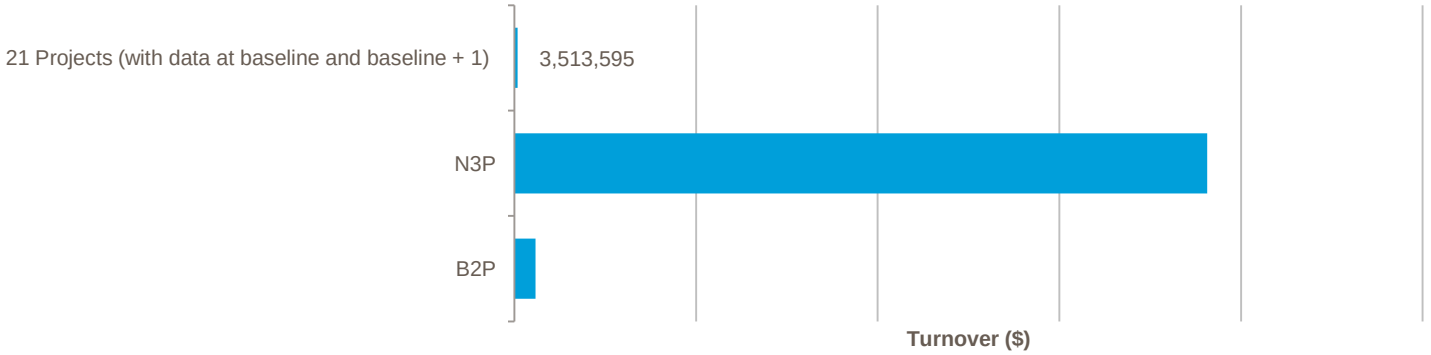
Data on current turnover and profit of IB projects is heavily skewed by data from two large projects. In these projects, the IB project is adapting how the overall business works with their supply chain, but does not have separate financial data.

For example, turnover of the N3P project is more than 20 times the entire turnover of the whole other portfolio (for projects where turnover for baseline + 1 data available) , and profit of the B2P project is also reported as bigger than the total aggregate portfolio These compare to data for the entire portfolio - excluding these two – of $3.5 million turnover and $226,000 profit.

Therefore current and estimated data for turnover and profit is presented here excluding these two projects.

These outliers arise because the inclusive business is broadly defined. It is not a trivial point however, for assessing progress in IB. The question of how the IB boundary is defined, and how it is treated if not a separate cost centre, will strongly influence apparent 'hard' results for IB.

Comparison of Turnover at baseline ($) of N3P , B2P and 21 Projects from the CS Portfolio



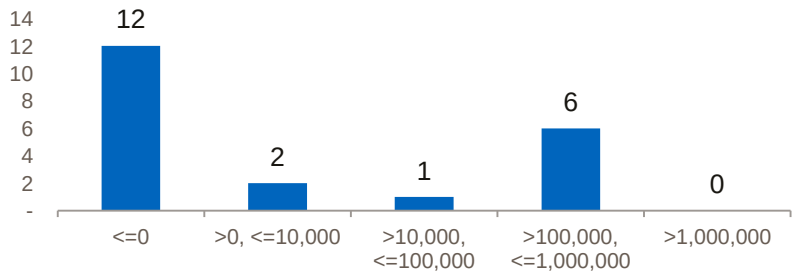
Project Turnover (actuals and estimates)

- The table shows data for 21 projects, excluding two projects with large turnover (as mentioned on previous page), and those projects with missing data for actuals and/or estimates.
- Current turnover of this dataset varies from $0 to $982,103.
- Total turnover for these projects is (N=21), is $3.5 million.
- Estimates made at baseline expect average turnover to increase by 141.6% during the following year – but with wide variation.
- Whereas the median turnover at baseline is 0, the median estimated turnover one year later is in the range of $100,000 to $1million.

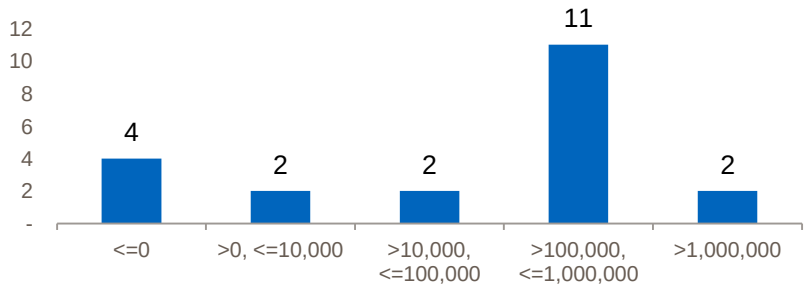
	Turnover at Baseline ($)	Turnover Baseline + 1 Estimate ($)	Percentage Change ($)
Totals portfolio ($)	3,513,595	8,487,469	141.6%
Average/project ($)	167,314	404,165	-
Minimum Value ($)	0	0	-
Maximum Value ($)	982,103	2,356,000	-

Note: Total numbers exclude projects with missing data, plus N3P and B2P (N=21

Actual Turnover at Baseline (N=21)



Turnover Estimate Baseline + 1 (N=21)



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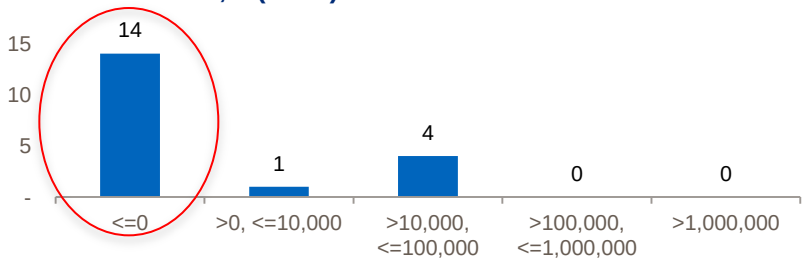
Project Profit (actuals and estimates)

- The majority of projects have no/negative profit at baseline.
- From the dataset of 19, the average profit at baseline per project is $7,246.
- The number of projects turning a profit is expected to have increased by four by one year after baseline. These four expect profits to be anything from $10,000 to over $1mn.
- Ten estimate to still be loss-making one year after baseline.
- These ten include six that plan for a notable loss during the financial year after baseline. Therefore total profit across the portfolio, excluding outliers and incomplete data, plummets from positive $137,000 to negative $720,000.
- Two projects in Bangladesh and Zambia and one each in Nigeria and India estimate negative profit p.a. in the year after the baseline

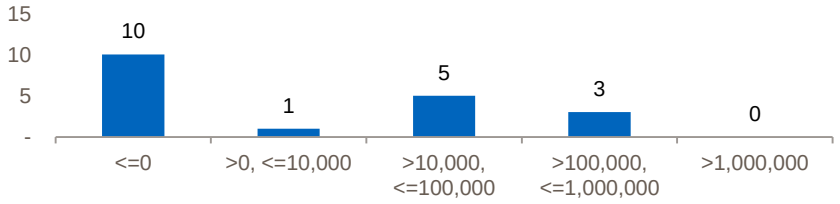
	Profit at Baseline ($)	Profit Baseline + 1 Estimate ($)	Percentage Change
Totals portfolio ($)	137,675	-720,138	-623.1%
Average/project ($)	7,246	-37,902	N/A
Minimum Value ($)	-74,073	-644,090	N/A
Maximum Value ($)	88,389	379,200	N/A

Note: Total numbers exclude projects with missing data, N3P and B2P N=19

Profit at Baseline, $ (N=19)



Profit at Baseline + 1, $ (N=19)



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Employee numbers

The total number of employees in in the IB project business units is currently around 800.

The average expected employee growth rate is 150% (for those projects providing both current and future estimates).

Four out of five projects which have completed progress reports show an increase in number of employees.

	Number of employees in project business unit		Number of employees in lead organisation
	Actual at baseline (N=24)	Estimate for baseline +1 (N=21)	Actual at time of application (N=22)
Total across the portfolio	808	1,794	181,614
Average per project/org	34	85	8,255
Min per project/org	0	1.5	1
Max per project/org	620	850	160,000

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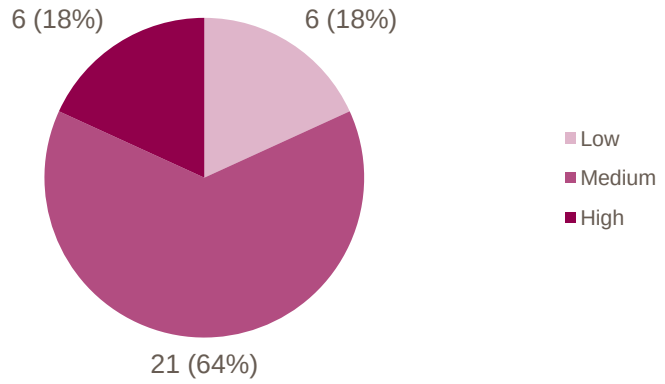
Are projects on track for commercial viability?

- Estimates of profit matter little if projects are not on track to reach them. Given the early stage of many projects, lacking accounts for consecutive years and in some cases still finalising the business plan, there is no easy way to assess which projects are on track.
- Using a combination of factual and subjective information, we have categorised projects as high medium and low, in terms of their progress towards commercial viability (see further information on Facility indices on Page 3).
- The majority of projects are scored as 'medium' in terms of current prospects for commercial viability.
- There is a mixture of countries and of consumer-focused and producer-focused projects in both the high and low scoring groups, though slightly more consumer-focused projects scoring high viability and producer-focused currently scoring low.

Project scoring Business Innovation Facility commercial viability index (N=33)



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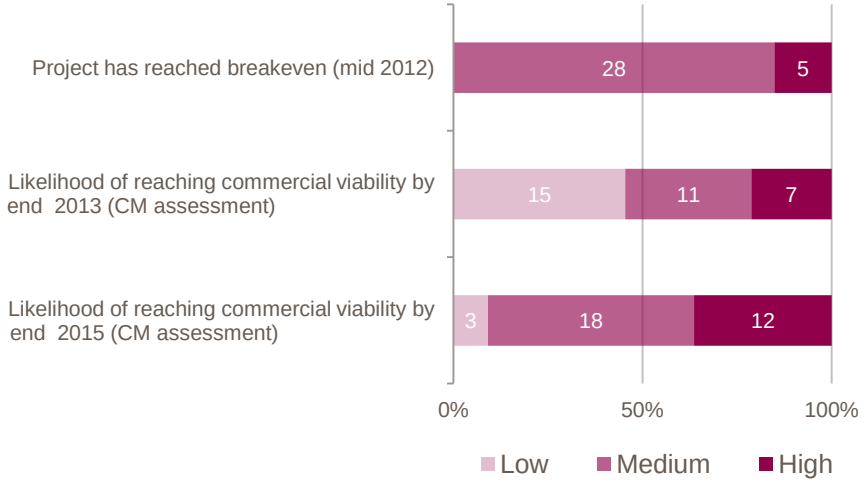
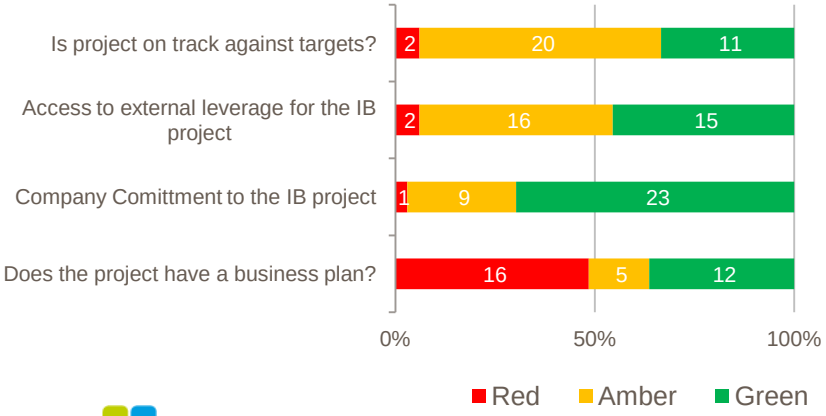
Commercial Viability Index

Project scoring against commercial criteria



While only five projects have reached break-even so far, Facility country managers (CMs) estimate that seven are highly likely to do so by the end of 2013, 12 by the end of 2015 (based on current knowledge, even where limited. N = 33)



We have identified four main factors to help determine the chance of commercial viability. All factors have been rated by Facility country managers. The majority of projects score green on company commitment, but only amber on progress against targets.

The only area with significant “reds” is lack of a business plan, but on this Facility information is incomplete.

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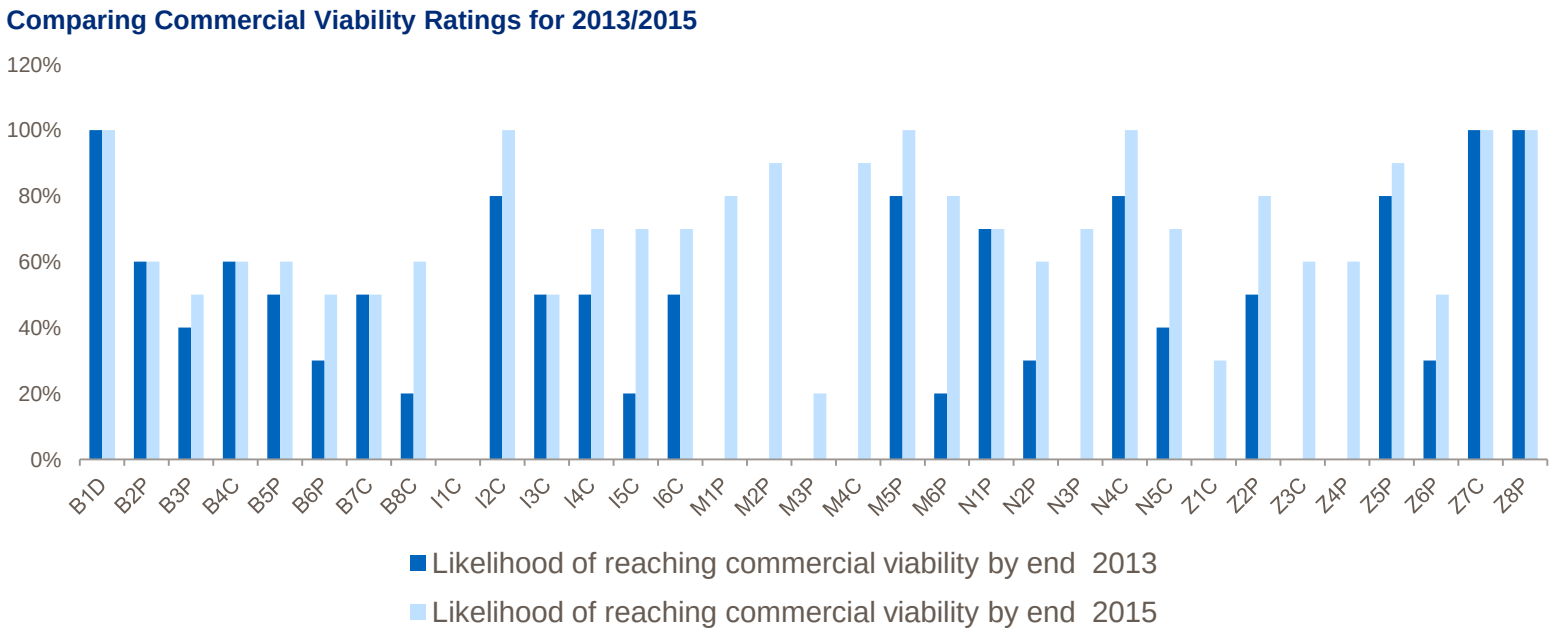
Comparing viability likelihood in 2013 and 2015



- In most cases, projects are judged by country managers as more likely to have reached viability by the end of 2015 than the end of 2013. Some indeed only plan to break even after some years, so 2013 chance is zero, but 2015 chance is high.
- There are a few however where there is a sense of ‘now or never’ – if not next year, then the chance increases little thereafter.

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6 Development results

What type and scale of developmental results are expected?

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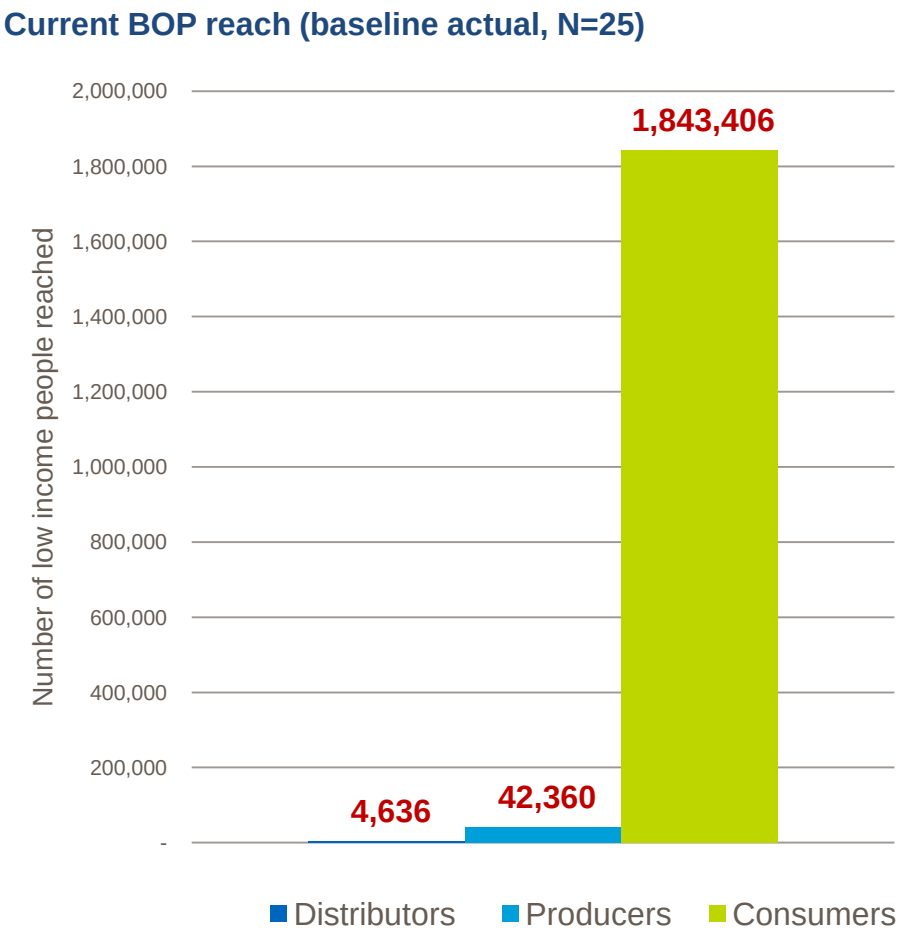
Understanding developmental results

The IB projects do not have one single type of development impact. As part of our results measurement approach we therefore look at various types of possible impacts:

- **Reach to Base of Pyramid** – the number of low income people reached.
  - NB: It is important to distinguish between low-income producers and entrepreneurs (who gain livelihoods and income) and low-income consumers (who gain access to goods and services). Inclusive businesses tend to reach *many* more consumers than producers, so these totals cannot just be summed together.
- **The significance of the project to a low-income person**, not just total numbers matters, though is subjective.
- Estimating **growth in BOP reach** is important. But it is also difficult, as projects are at different stages, a few have large numbers, and not all have estimates. Figures are unreliable and comparisons worse.
- Other development results are also considered, particularly likelihood of **replication, of systemic impact, and environmental benefit**.

Current reach to BOP



Total number of beneficiaries reached at baseline across the portfolio (N=25) is 1,890,402

The vast majority of consumers (95%) reached are B1D: 1,8 million **Leaving these aside, there are around 90,000 BOP beneficiaries, evenly split by type.**

The majority of producers (64%) already engaged in Business Innovation Facility projects at baseline are within just two projects (one in Zambia and one in Malawi)

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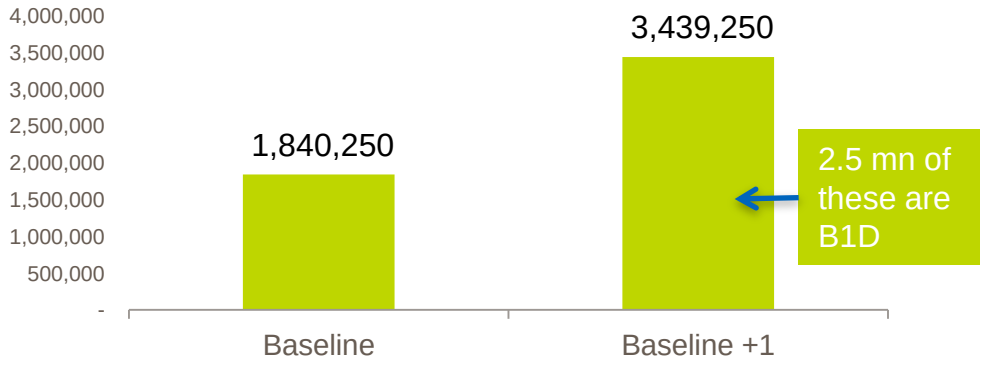
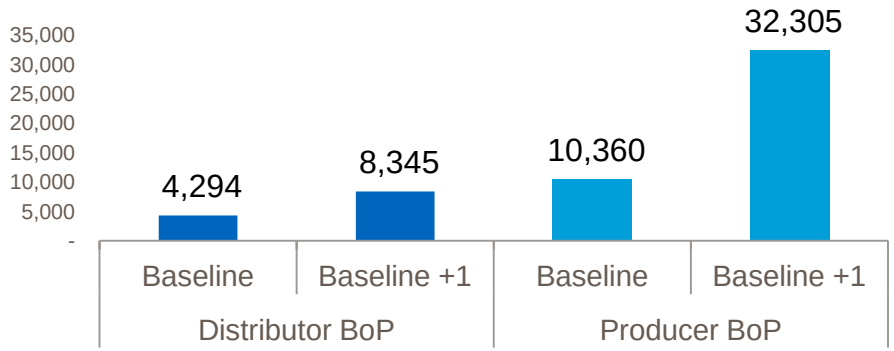
Expected growth of BOP reach in Year 1

Expected increase in BOP Consumer reach



Expected increase in BOP Distributor and Producer reach



In the year after baseline, a 200% increase is expected in reach to producers (roughly 10,000 to 30,000).

The number of consumers and distributors reached is expected to grow by 90% to 3.5 million. NB: figures strongly influenced by one project (B1D).

Excluding B1D, the reach to consumers is expected to increase by 2234%. Consumer reach grows from approx 40,000 to 940,000.

The expected number of BOP consumers is 30 times the expected number of producers if B1D is excluded; and 100 times if B1D is excluded.

N=16.

Data as of June 2012, prior to substantial upwards revision of Oando targets which are not included here. See slide 54.

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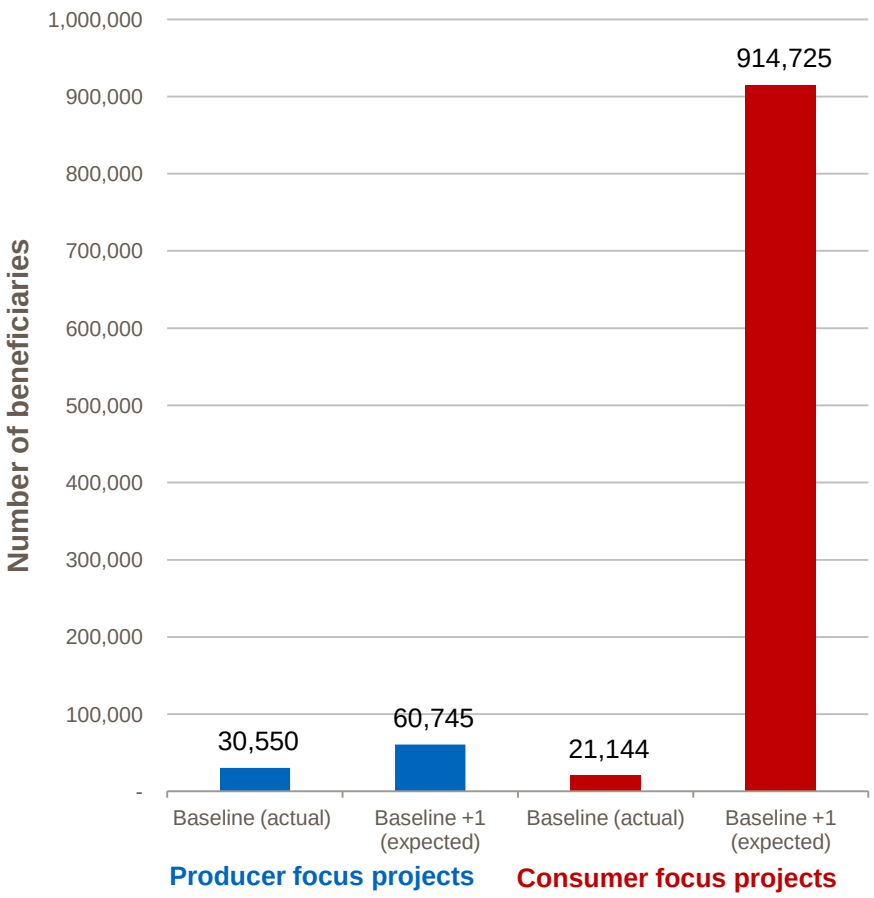
Expected increase in BOP reach

Actual and expected number of beneficiaries (N=16)



Consumer-focused projects anticipate a much sharper increase in BOP reach than producer- focused projects.

Interestingly they anticipate fast growth to each type of BOP group:
- 4275% growth of BOP consumers reached
- 1456% growth of BOP producers reached
- 3809% growth of BOP distributors reached.

This suggests that the projects categorised as primarily consumer-focused anticipate faster expansion than others, starting from a lower base but expanding rapidly.

Producer-focused projects are largely seeking to strengthen linkages with farmers in their supply chain, and expect a more modest doubling of BOP involvement over a year.

Actual data from five projects that have completed shows a mixed trend in terms of increasing BOP reach. Some show a strong increase, e.g. from 70 to over 3,000 producers, well above the initial estimate. Some projects grow slower than expected and others report (unforeseen) difficulties of tracking, and now report that they cannot accurately estimate numbers of BOP producers involved

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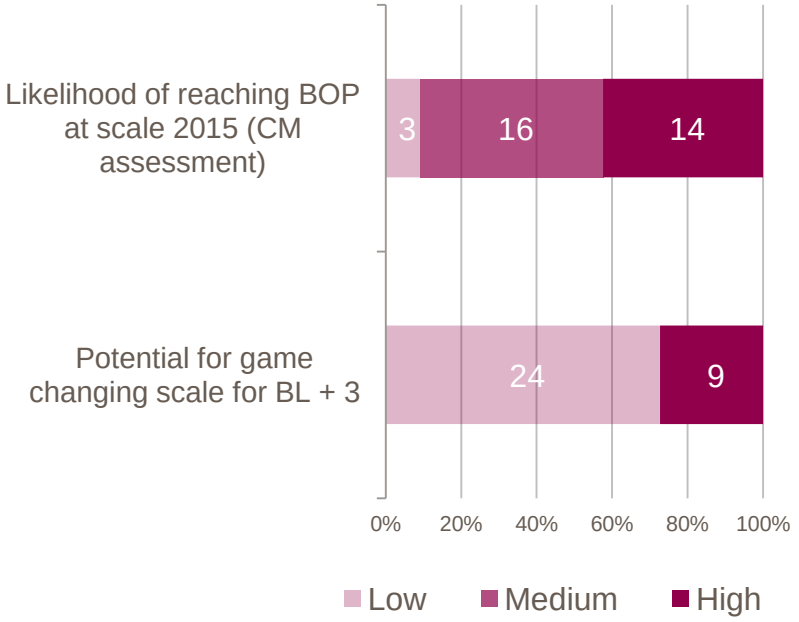
Country Manager estimates of reach to BOP at scale

What is the likelihood the projects will reach the BOP at scale – within the Facility's lifetime and beyond?

- We asked companies, service providers and most of all country managers for their guestimates.
- Team inputs give High, Medium or Low for the likelihood of projects reaching the BOP at scale by the end of 2013, and 2015, and also marked out a few that could reach 'game changing' scale if they succeed. Game changing scale means that if a project succeeds it could lead to uptake at such a scale that it changes norms in this sector
- Data is a useful start but provisional. The scoring system will need some refinement, and then provide a way to track progress across the portfolio over time.

Country Manager Project Scoring against development criteria (N=33)



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Significance to people at the BOP

- It would be a mistake to assess development impact solely by the number of people reached. Access to solar lamp or consumer goods for one person cannot be equated with access to a new livelihood for another. So, despite inherent problems, we rank both consumer and producer projects based on the estimated significance of the impact to a BOP beneficiary.
- This means when we compare development impact per project, there is some weighting added for significance of the impact, aside from the number of people. However, the current weightings are useful for comparing one producer project with another, or one consumer project with another, but are not adjusted to be able to equate a 'medium' significance consumer project with a 'medium' significance producer project.

	Low	Medium	High
Consumer projects (N=15)	**0**	**8**	**7**
Example	Access to a product or service that is nice to have but does not change living standards	A useful product or service with clear benefits to the user, e.g. e-learning for rural schools, agricultural information services for farmers via mobile phones	A product or service that substantively affects health, provides necessities of life, enables significant increase in earnings, or results in a tangibly different lifestyle for the user, e.g. LPG cooking stoves as alternative to cooking fuels with negative health impacts
Producer projects (N=17)	**8**	**8**	**1**
Example	An additional opportunity, a boost to income or security within existing livelihood, e.g. new farming methods for existing crops to increase productivity	A clear positive livelihood boost, not necessarily a new type of livelihood or exit from poverty, e.g. Contract farming models	Full time job, new livelihood, substantive change in family living standard, e.g. Creating new income opportunities for landless families as fish farmers

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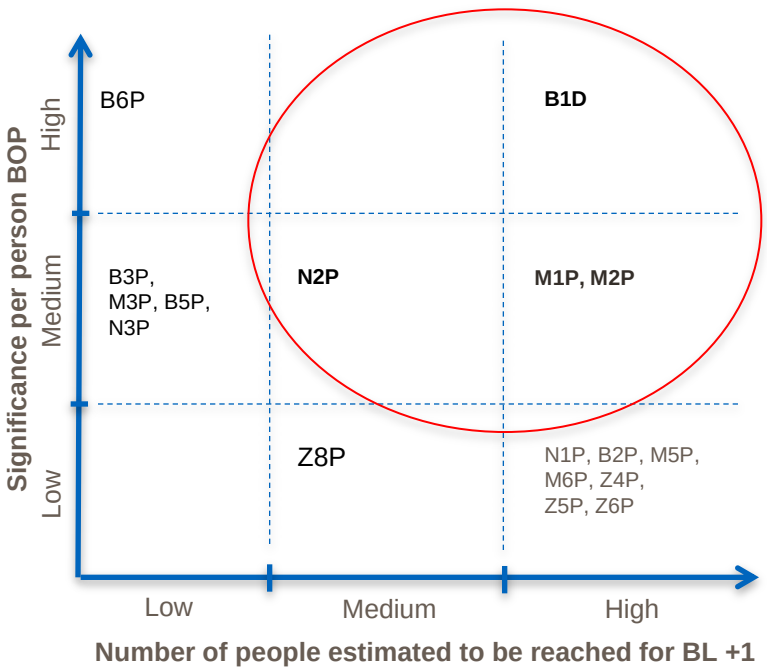
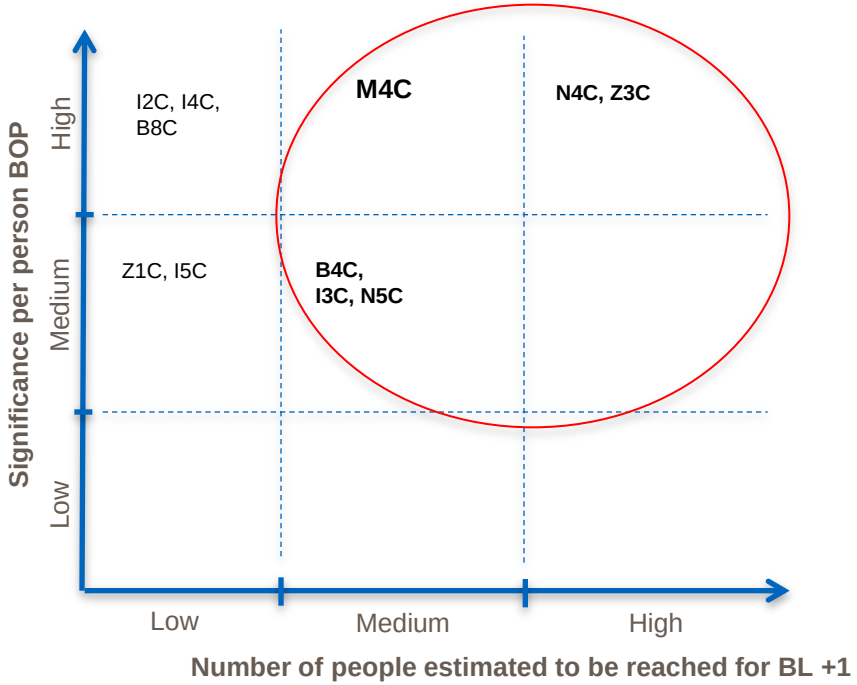
Numbers and significance at the BOP

Irrespective of project type, various projects show significant potential to reach high numbers of BOP people paired with high estimated significance per person reached

**BOP reach vs. significance –
Producer & Distributor Projects (N=17)**



**BOP reach vs. significance –
Consumer Projects (N=11)**



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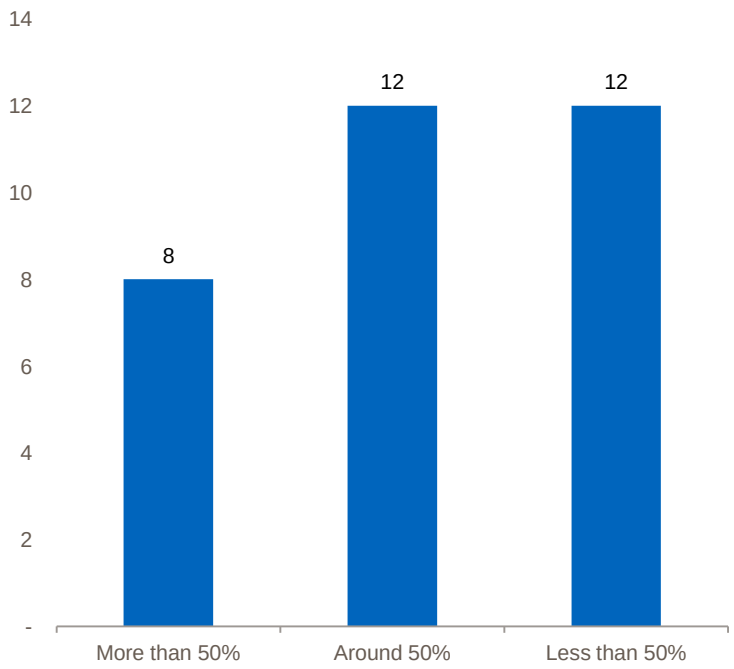
Gender

- Another determinant of significance of BOP impact is whether women are disproportionately included, or not.
- We seek to classify the IB projects into those in which women are typically half the beneficiaries, those in which they are the majority, or the minority.
- In eight projects women are a majority of the beneficiaries : E.g. Oando selling LPG cooking stoves, Microventures developing market linkages between women smallholder farmers and Malawian wholesalers, retailers and food processors.
- In some of these nearly all the direct beneficiaries are women – these are also projects reaching BOP at scale, e.g. Jita providing income opportunities for female entrepreneurs.

Number of projects by category of gender BOP Impact (N=32)



Beyond direct impact to BOP

Looking beyond how many people the business may impact directly at the BOP, it is important to also consider

- Likelihood of **replication by others**, so that more in the BOP are reached, albeit by different companies
- Likelihood of **systemic impacts**, causing changes that create further opportunities or benefits for development
- Likely **environmental impacts**.

Replication may turn out to be a massively important results of the project portfolio, but cannot be estimated yet. Most projects are rated as medium chance of replication at present. A few projects score 'high' because there is evident interest, clear opportunity, or specific action is being taken to encourage replication.

For example, the Agora project in Bangladesh is specifically working with other retailers in the sector to encourage replication of the approach to strengthening SME suppliers of perishables. .

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Systemic Impacts

Type of impact	High impact expected for..	Example
Update of good business practice by other companies	B2P, B6P, M3P, M5P, Z3C, Z5P	AGORA is working with other retailers to encourage roll-out of the capacity building of fresh food SME suppliers
Investment by others in low-income client groups/ areas	B1D, I2C, I4C, I5C, N4C, N5C	By providing a mobile platform reaching illiterate farmers, mKRISHI facilitates investment by others in this client group.
Direction/ speed with which the sector develops	N5C, Z3C, N4C, N2P, M6P, M4C, M2P, I5C, I4C, I3C, M1P, Z1C	The wider LPG market in Nigeria is likely to develop faster and with more BOP inclusion on the back of Oando's success.
Regulation, local/ national government policies	M2P, M4C, Z6P	A successful implementation of MEGA is likely to positively impact energy policies in Malawi

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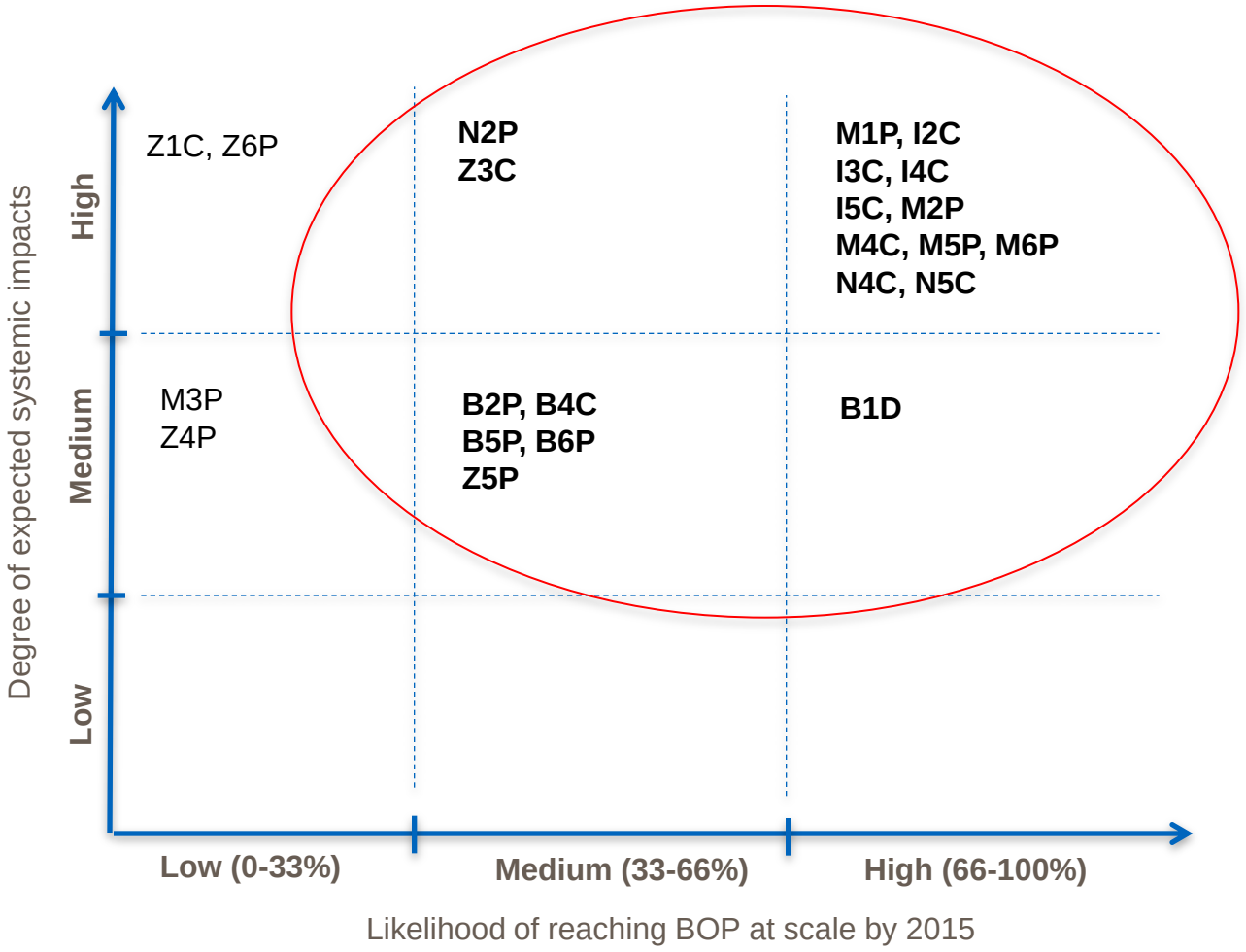
Systemic Impacts

Most of the projects that we think have a high chance of delivering systemic impact, also are rated as having a high chance of reaching BOP at scale by 2015. They are evenly mixed in terms of producer/consumer focus



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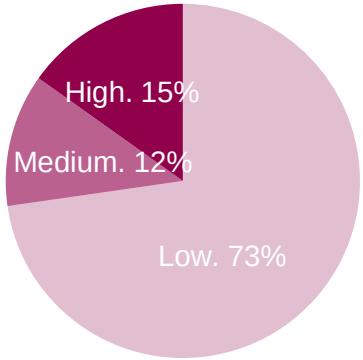
Environmental impacts

Project Scoring Business Innovation Facility Environmental Index (N=33)



While many projects report they are environmentally positive in some way, we count relatively few as delivering tangible and strong environmental gains.

High and medium scoring projects include projects from each of the 5 countries, as well as both consumer-focused and producer-focused projects.

Projects which...	...expect substantive environmental impact (in the application form)	...are able to report against universal environmental indicator (carbon emissions/unit of output)	...have identified additional environmental indicators to be tracked	...we consider relevant for 'climate smart solutions' (IB know-how theme)?
Total number of projects	7	3	16	9
% of total portfolio	21%	9%	48%	27%

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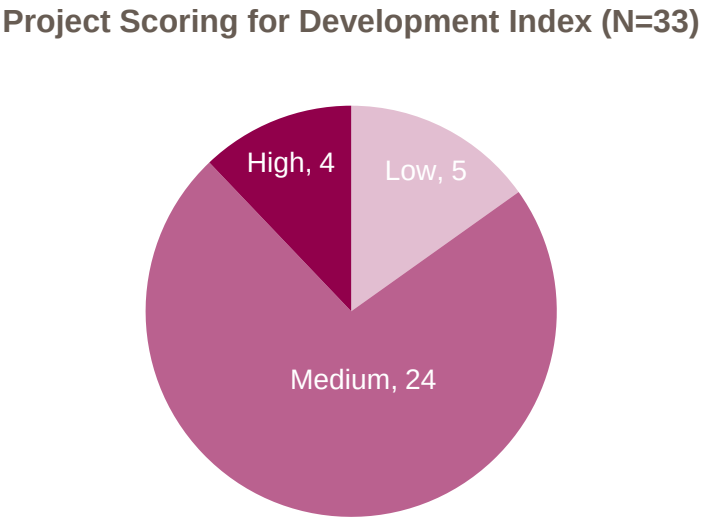
Business Innovation Facility development index

Putting together a range of factors, in terms of BOP reach, significance, chance for replication or scale, we have categorised projects as high, medium or low in a development index.

The index is based on six factors illustrated on the following slide.



High scoring projects: three consumer-focused projects and one distributor-focused project, spread across four countries.

Low scoring projects: mainly producer-focused projects that are innovating new approaches in the supply chain but are dealing with small numbers and are unlikely to reach scale or replication in the near-term. The five are spread across four countries. Impact is still positive, but low relative to others.

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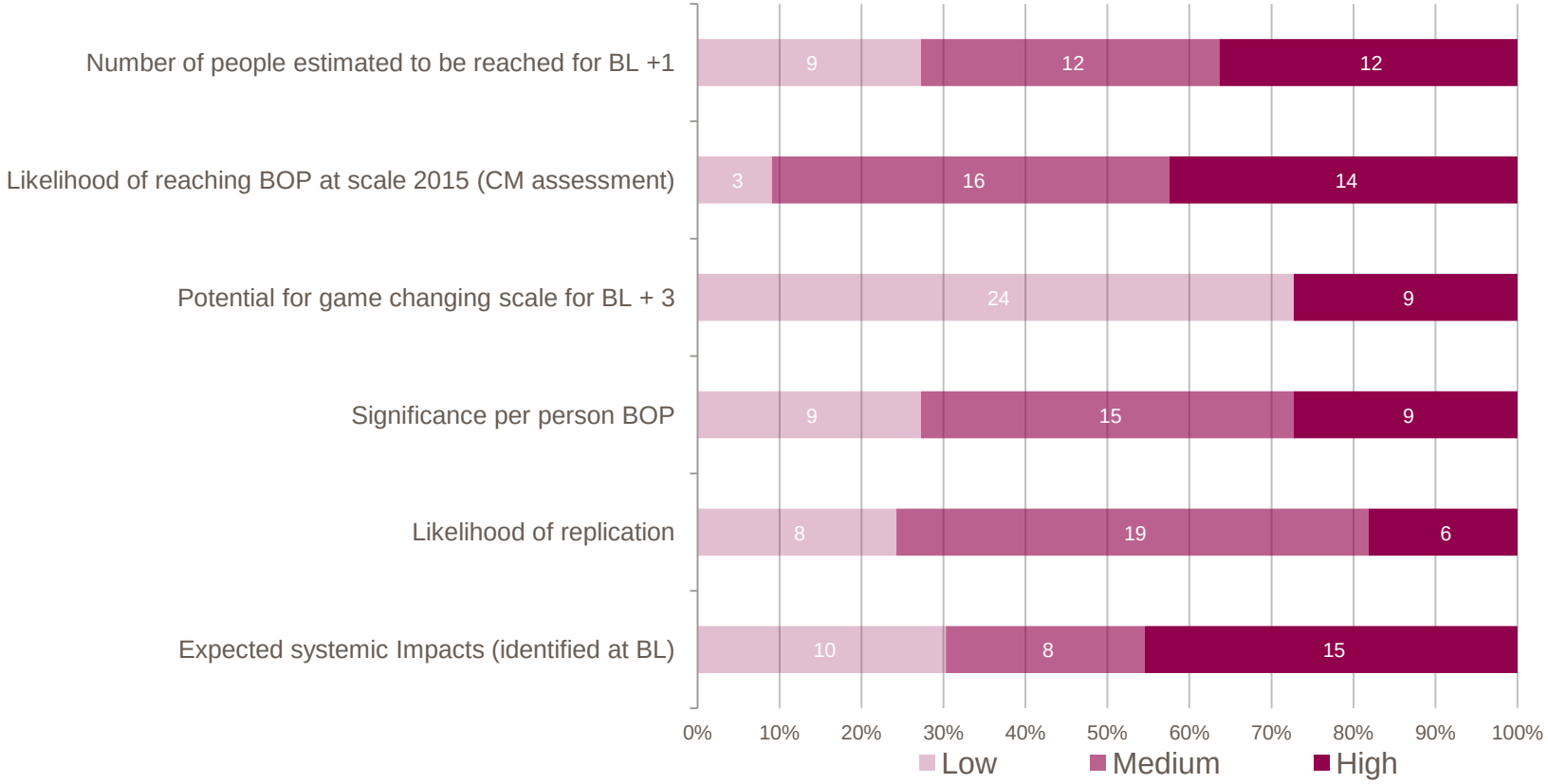
Business Innovation Facility Development Index Criteria

Project scoring against development criteria



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7 The Big Picture

Trends for results across the portfolio

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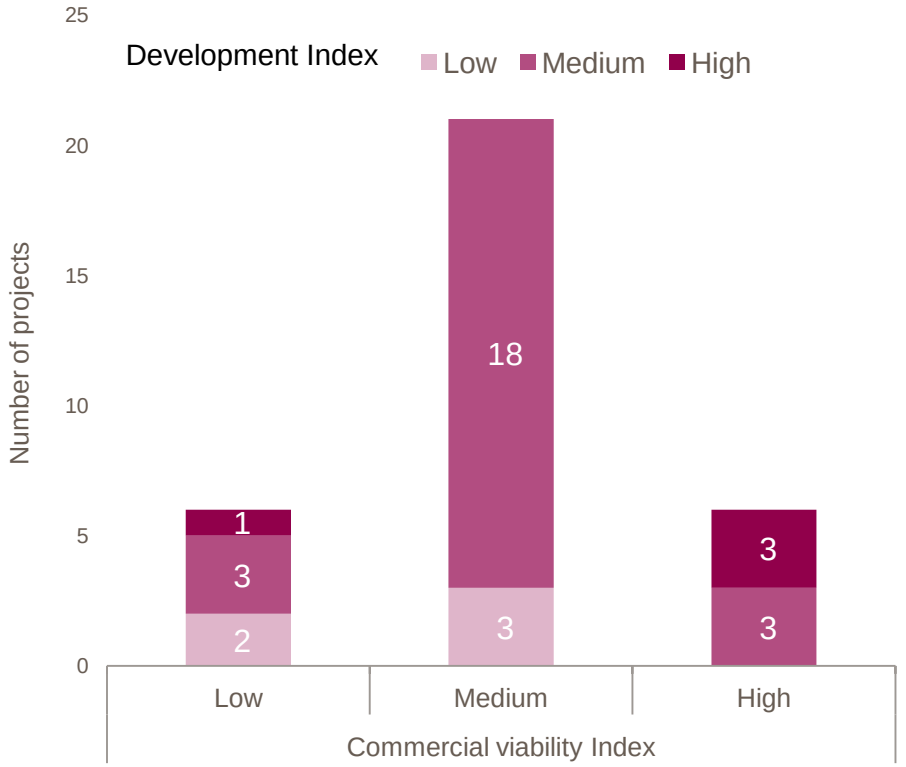
Trends for results across the portfolio

- The findings above represent a great deal of data, much incomplete, with subjective though informed judgment.
- Despite the preliminary nature of the rankings, it is useful to draw out some patterns across the portfolio and track how they change.
- At the very least we have six projects currently considered of high viability and high or medium development impact.
- The vast majority of projects are currently in the middle: medium viability and medium development impact. The overall success of the Facility portfolio will be largely dependent on which way they move.
- In terms of which type of projects score high/low the pattern shows that there is no strong pattern by country. In terms of BOP focus consumer-focused projects appear somewhat more concentrated in medium to high ranks than do producer-focused projects. Whether this tells us more about consumer-projects or about our own ranking system, needs checking.

Commercial viability vs. Development impacts (N=33)



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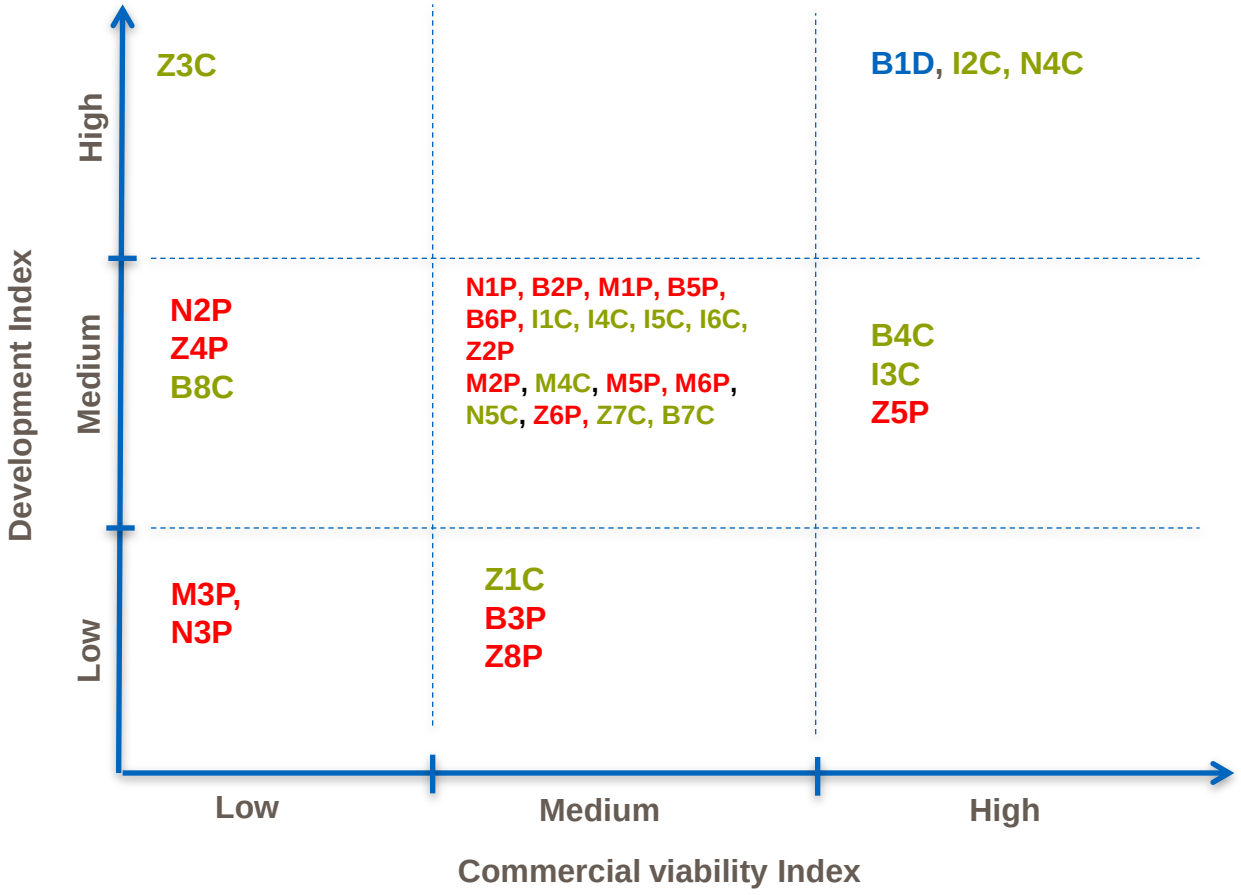
Commercial vs. Developmental Index: producer and consumer-focused projects

Diverse pattern, though with producer-focused projects appearing in the low/low section and not in high/high.

Key
Producer Focused
Consumer Focused
Distributor Focused



Why Oando scores high on the commercial index.....

	Project has reached breakeven (mid 2012)	Business Plan for IB Project exists	Likelihood of reaching commercial viability by end 2013	Likelihood of reaching commercial viability by end 2015	Company Commitment to the IB project	Access to external leverage for the IB project	Is project on track against targets?
Oando	No	Yes	80%	100%	Green	Green	Green

Because of the careful planning that has been done, including in-depth consumer surveys and product trails, there is a high degree of confidence about the potential for commercial success.

This is a large, well planned initiative by a large company. It has had to clear a number of internal hurdles and get very senior managers on board in order to get support within the company. Now that it has support, Oando have committed a significant investment and successfully launched the pilot.

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...and on the development index

	Primary beneficiary type	Number of people estimated to be reached for BL +1	Potential for game changing scale BL + 3	Likelihood of replication	Significance per person BOP	CM assessment development scale	Systemic Impacts Score; 10 and over: high, 5-9: medium, 0-4: Low
Oando	Consumers	800,000	Yes	High	High	80%	16

Recently revised from 90,000 at time of baseline. Other results in the Portfolio Review are based on the original figure.

The CM reports: 'on the back of the little assistance [the Business Innovation Facility] have provided, Oando have revised their estimates from distributing 5 million cylinders by year 5 to 7-8 million.

Consumers substituting gas for kerosene or wood-based fuels are driven by convenience, but also gain substantial health benefits. Smoke inhalation is a major cause of sickness and death for women.

For a company as large as Oando to invest in the marketing and infrastructure to work in a new sector over the longer term, they have to have plans for millions of customer and a large market share for it to be commercially interesting.

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8 Business Innovation Facility input

What type of input is provided and what is the picture that emerges from initial feedback?

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Support provided by the Business Innovation Facility

We work directly with companies in our five pilot countries to provide the advisory support, facilitation and technical assistance they require to help their inclusive business grow. Unlike many other business-focused donor programmes, we do not provide financial support, whether as loans or grants but support comes as advice and technical assistance at any stage of the business venture. We draw on a global network of technical experts who can deliver innovative solutions and practical strategies that get inclusive business models off the ground. It is important to track what kind of input the Facility provides, who provides it, and what feedback is gained about Facility additionality.

"The Business Innovation Facility was responsible for turning an initial idea into a full cost sharing project, and I don't believe that the project would have been set up without that.", Service Provider Feedback, Bangladesh

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Budget, Investment and Timings

Average CS Facility Input	£ 47,199
Lowest CS Facility Input	£ 13,250
Highest CS Facility Input	£ 115,930
Average % cash input by companies	38%
Average investment / project (cumulative at BL, N=25)	US$ 1.3 mn
Lowest investment/ project	US$ 0
Highest investment/ project	US$ 8.5 mn

Average duration CS (months planned in application form) :	5.4 months (N=33)
Average duration CS project (months actual):	11 months (N=5)

Percentage of cash input provided by lead organisations is relatively small compared to Facility input.

However, the portfolio illustrates significant investment in the IB projects.

There are delays in project implementation (estimated project lengths much shorter than actual lengths).

CS = cost-sharing project
BL = baseline

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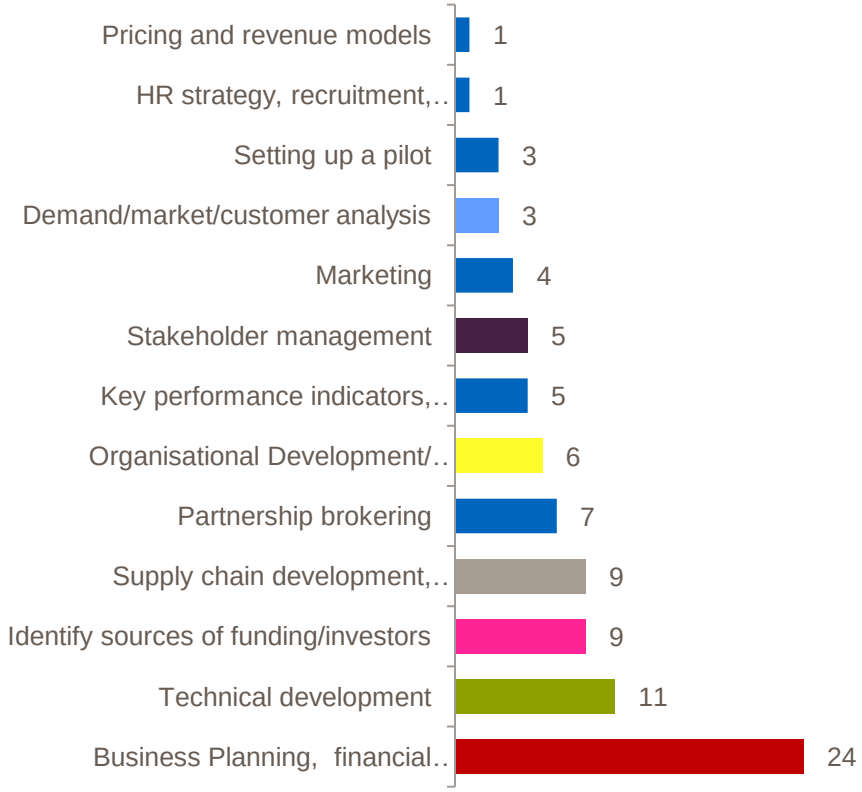
Types of Input

Primary type of Facility input

Most common type of input (counting up to three types per project)



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Tackling the challenge of access to finance

The Facility does not provide finance but helps entrepreneurs attract investors...

"In due course this growth strategy would likely be carried out, though it is doubtful if it would be of sufficiently good quality in attracting the right investors, at the right speed." Z4P application form

"Yes, we would implement the project without support from the facility however, the sustainability of the project becomes doubtful without cheap long term funding and we are not likely to get the correct funding mix and partners without being correctly positioned" , N2P, application form

"The market assessment and other stated activities are essential to firming up of our fundraising efforts for the roll out as we'll be clearer on the format the CFW network in Zambia will adopt., Z3C." application form

This tallies with evidence that investment opportunities are more scarce than actual finance...

"The greatest financing challenge is not a limited supply of capital but socents' limited access to it....

Socents report that they cannot secure available funding either because they do not meet investor requirements or because their business model needs further refinement before they are "investor ready...

Very few enterprises cite a limited supply of capital as a key challenge to securing it. The prevalence of funding that is inaccessible to most socents indicates a gap between enterprise needs and investor expectations".
Intellecap Report, On the path to sustainability and scale, 2012

"When asked about the most critical challenges to growth of the impact investment industry, respondents ranked ***"shortage of quality investment opportunities"*** *second, right after "lack of track record of successful investments.",* Monitor report, From Blueprint to Scale, 2012

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Additionality: comments post-Facility support

At time of application (N=30), nearly all (23) applicants consider the prospect of Facility support as core to the progression of their business/ business model. Four consider Facility input as fundamental.

The table below categorises Facility additionality based on feedback received at completion of support.

...”without some level of support from the Business Innovation Facility, our growth and impact will be seriously constraint” - N1P, application

...”without any kind of help it will be quiet impossible to run the project at a big scale” B3P, application

	FUNDAMENTAL	CORE TO BUSINESS	USEFUL
	...would not happen without Business Innovation Facility. Might not have gone ahead without Facility”	...would be less commercially sustainable, more risky, and/or less able to scale, due to lower quality design and implementation.	Would still be on track but just not so good, not so comprehensive
Company Feedback		4 projects, e.g. ...”without Business Innovation Facility support we would not have been able to develop our marketing strategy and establish strong ties with farmer cooperative groups”	1 project
Service Provider Feedback	4 projects, e.g. “The Business Innovation Facility was responsible for turning an initial idea into a full project, and I don’t believe that the project would have been set up without that.”	5 projects, e.g. “Facility support was able to keep the engagement focused on the higher level questions and considerations, which was highly important for the project.”	.

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Additionality: comments at time of application

Type of additionality	No. of projects	Example Quote
Fundamental	4	“Due to a lack of prior implementations of such projects in our country, we will not be able to implement the project without assistance offered from the Facility in the foreseeable future”,
Core to business	25	“Without any kind of help it will be quiet impossible to run the project at a big scale as proposed“
Useful	1	“We would implement the project. However, the company seeks support from other development organizations to provide funding support for technical assistance and planning.” -
Other (unprompted) factors identified:		
Faster Development	12	“We face a number of challenges in this process which Business Innovation Facility support would help overcome, and we would expect to establish and set up operations of the new company, and scale up our network of hubs and Aparajitas more quickly and with risks better managed.”
Inclusive	3	“The scope and breadth of [...] participants recruitment, business training and mentoring would be significantly lower without the support from the Business Innovation Facility”.
Capacity Development	1	“It is essential to get support from technical experts in the above areas which will ensure efficient implementation of this project/business.”
Investment ready	7	“In due course this growth strategy would likely be carried out, though it is doubtful if it would be of sufficiently good quality in attracting the right investors, at the right speed.”

Annex

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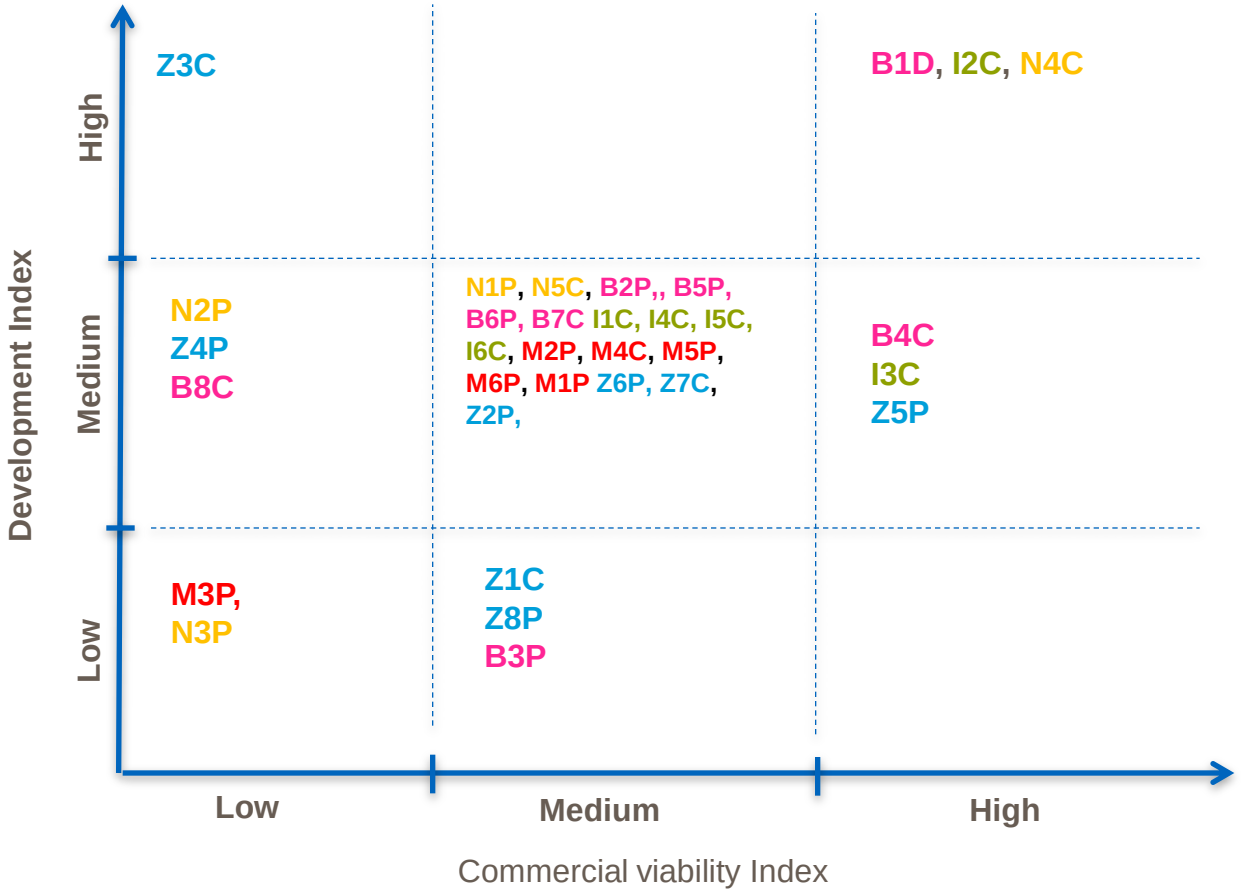
Commercial vs. Developmental Index : by country

Diverse pattern

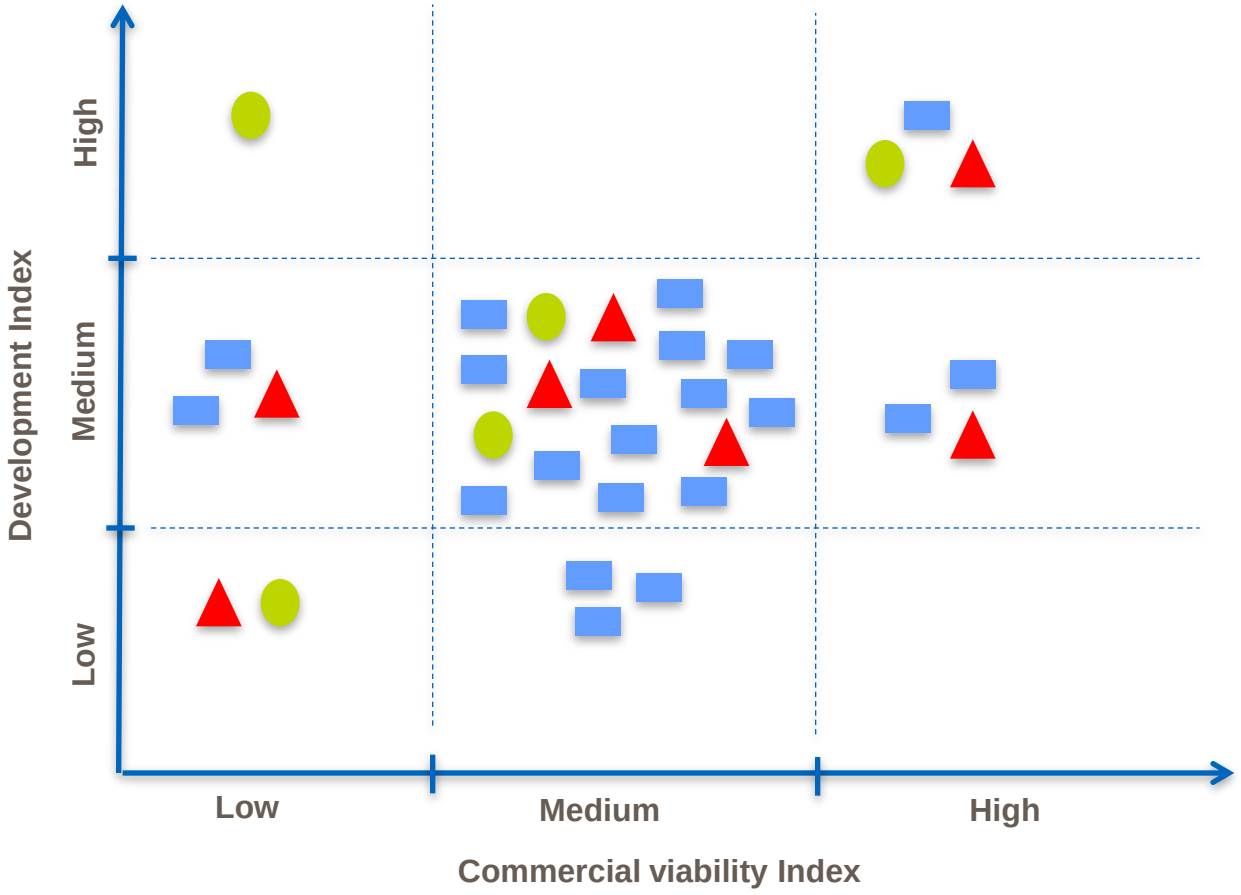
Key
Bangladesh
India
Malawi
Zambia
Nigeria



Commercial vs. Developmental Index: MNCs & NGOS

Diverse pattern: both MNCs and NGOs score in the lowest and highest sections.

Key
MNC
NGO
Other



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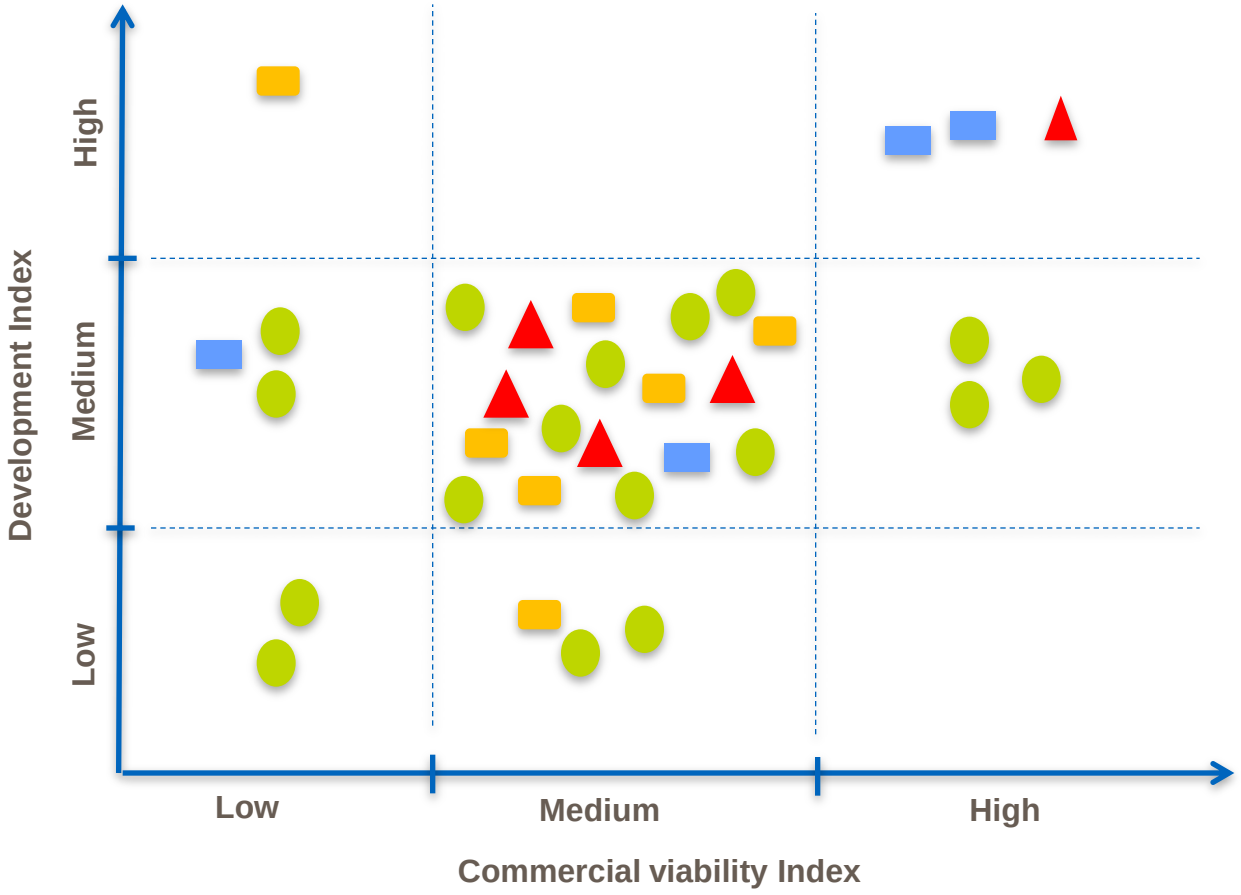
Commercial vs. Developmental Index: by sector

Diverse pattern; though with Agriculture and Food projects not appearing in the high development impact row.

Key
Agriculture and Food
Energy and infrastructure
Retail, manufacturing and consumer goods
Other



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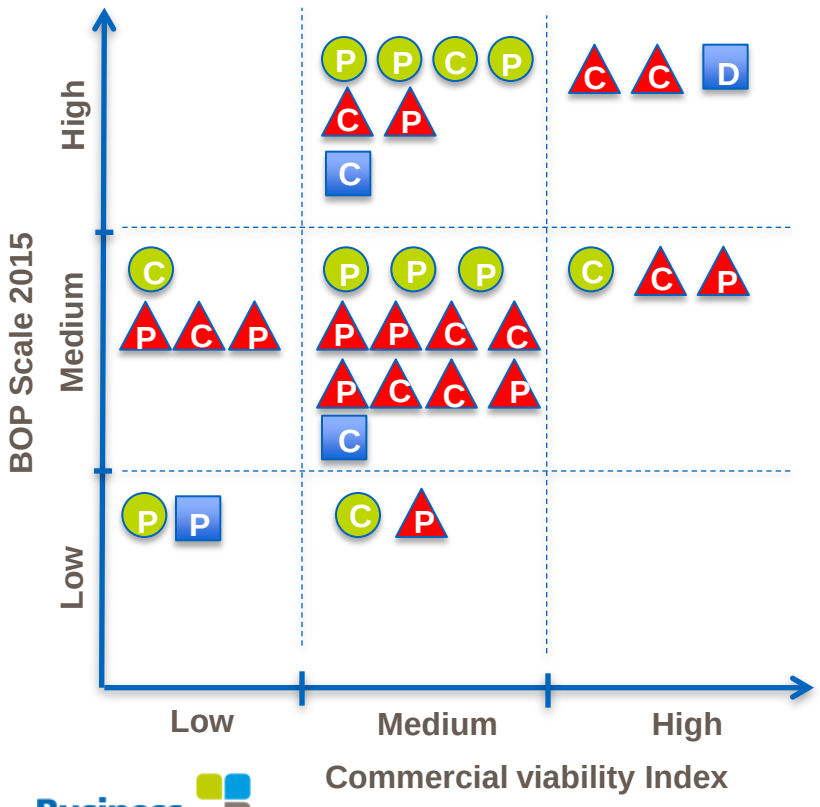
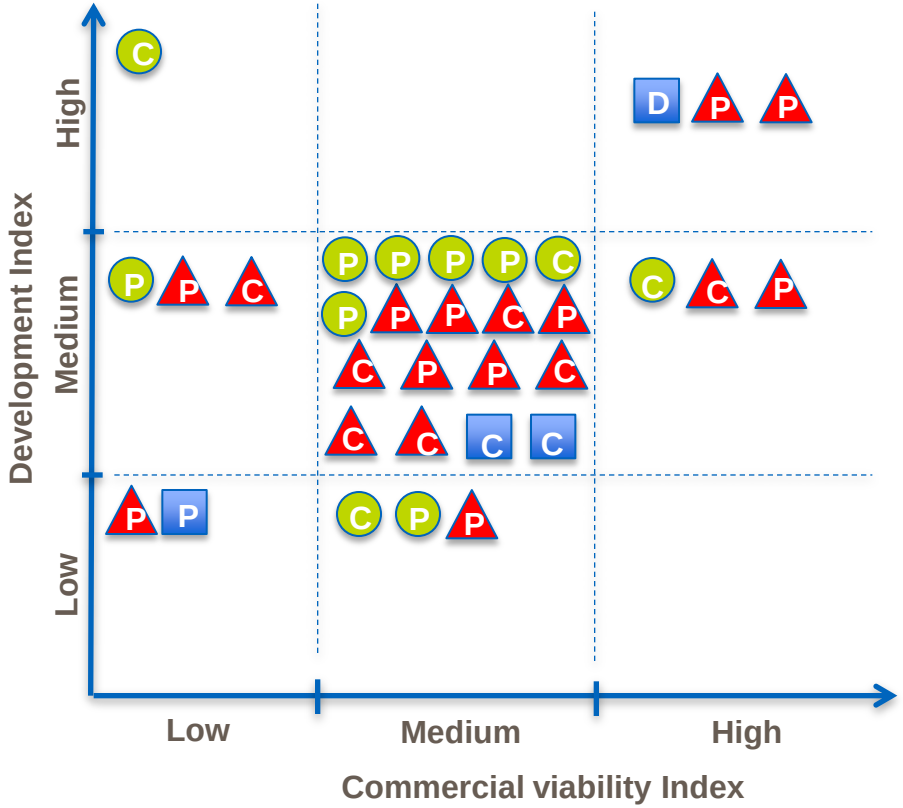
Commercial viability, BOP scale, and development index: comparing businesses that are small, inclusive & growing, vs. those that are large and becoming more inclusive.

When comparing the likelihood to reach BOP at scale for 2015 with commercial viability index scorings (diagram on the left) and development Index scorings with commercial viability (diagram on the right) no correlations emerge between companies categorised as 'large becoming more inclusive' and 'small, inclusive growing'. The left diagram also show that a good number of both types have high chances to reach BOP at scale with medium viability scoring





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Key: Large inclusive, Small growing, Other

Key: P – Producer, C – consumer, D- Distributor

A note of explanation – Colours and rankings

Colours

Red - off track, needs course correction

Amber – mainly on track, though some items not

Green – well on track

Rankings

High - we judge to be highly likely to have this result, or to achieve a high impact in this area.

Medium - default option

Low - lower likelihood or impact in this area than other projects.

NB: variable and limited data.
For those that are just starting, they are not only less developed, but we have less information and probably less confidence.
The scores are not meant to be categorical judgments. They are a basis for improving our understanding, and acting as a basis for revised ranks as the portfolio matures.

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Further information

The summary of the Portfolio Review 2012 can be found at: http://bit.ly/snapshot-portfolio-yr2

Last year's Portfolio Review can be found at: http://businessinnovationfacility.org/forum/topics/bif-portfolio-review-2011

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For more information on the Business Innovation Facility projects and to access other publications, go to: www.businessinnovationfacility.org

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