

Business is a powerful force in the fight against poverty—one that is more powerful when it can build on others' support. Our research with the Growing Inclusive Markets Initiative shows this again and again: inclusive business models, because they include poor people as business partners along the value chain, can contribute towards meeting the Millennium Development Goals (MDGs).

To be successful and grow, inclusive business models often rely on other players that provide conducive policies; know-how and awareness; finance; and complementary capabilities. And growth, indeed, is required to make significant steps towards achieving the MDGs—on some of which we are severely behind. Our aim is to make this complex landscape of actors more transparent, to better understand how collaboration functions inside inclusive business models.

This report shows, for each MDG, how others have supported inclusive business models in the domains of policy; research and advocacy; financing; and complementary capabilities. It was surprisingly difficult to build a good list of these supporting actors for each MDG—even though much work is being done in the relevant areas of income, decent work, gender, health, the environment and global partnership. On the one hand, encountering this difficulty has made us confident that we are adding something useful to the knowledge base for inclusive business models. On the other hand, it has also shown that much more needs to be done to enable businesses to engage with poor people. Support is often hard to find, and there is only limited knowledge about ways for business to engage successfully with new partners such as not-for-profit organizations (NPOs) and the public sector. Finally, the difficulty of preparing this report has suggested that the landscape of supporting actors for inclusive business models may contain gaps, and that filling those gaps may make it easier for business to make a significant contribution.

This report is only a beginning. Our work will continue on this path, enlarging the data-base of case studies and supporting actors that is already online at www.growinginclusivemarkets.org. To suggest additions, please write to us at gim@undp.org.

For too long, development actors have been seeking a silver bullet for poverty alleviation—be it good governance or inclusive business—whereas poverty is in fact multi-dimensional, the result of complex social systems that have markets as important sub-systems. Our response to this reality is to look closely at the world out there, learning from what works. In the last chapter of this report we showcase existing projects and initiatives that presently engage UNDP in four roles—as policy advisor, as researcher and advocate, as funder and as capability partner—to support governments, donors, businesses and NPOs. Our hope is that this report will add one more piece to the puzzle of making markets more inclusive and poverty a thing of the past.



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Inclusive business models—business models that include poor people into value chains as producers, employees and consumers—can make a significant contribution towards meeting the Millennium Development Goals (MDGs).

This report seeks to identify the diverse actors that come together in such models and to show how they collaborate. It aims to:

- Illustrate the varied roles of businesses and other actors in creating inclusive business models.
- Recognize the past and ongoing achievements of companies that use inclusive business models, highlighting a selection of best practices.
- Indicate which other actors can best support business in its contributions towards meeting the MDGs, and guide them in providing such support.

An overview chapter is followed by eight chapters addressing the eight MDGs. Each has three sections:

- **The present situation** describes progress towards meeting the targets for the MDG, outlines the role of business in that progress, and identifies the challenges that remain.
- **The promise of inclusive business models** explains how various types of businesses can contribute further towards meeting this MDG, highlighting best practices for inclusive business models. Discussed are multi-national companies (MNCs), large domestic companies, small and medium-sized enterprises (SMEs) and not-for-profit organizations (NPOs) that use business approaches.
- **The supporting roles of institutions** shows how others can help create and implement business models that contribute towards meeting this MDG. Four types of support (policy, research and advocacy, finance, complementary capabilities) are discussed, along with best practice examples.

After these eight chapters, a ninth describes how UNDP supports businesses' contributions towards meeting the MDGs.

This publication is a first attempt to assemble a "yellow pages" of inclusive business models and the MDGs. It features:

- **40 case studies**, drawing mainly on the latest set of 65 case studies conducted by the UNDP Growing Inclusive Markets (GIM) Initiative, Business Call to Action (BCtA) company initiatives and UNDP's own partnerships.
- **140 supporting institutions** referenced by specific MDG.

The report is part of a broader effort by the GIM Initiative to highlight the diverse actors and patterns of collaboration around inclusive business models. As a multi-stakeholder research and advocacy initiative, GIM already acts as a platform for partnership facilitation and knowledge exchange. This function is being translated online now. A new open-access knowledge management platform – <http://www.growinginclusivemarkets.org> – features two complementary databases that will be growing overtime:

- A **Knowledge Database** contains 120 in-depth business case studies and several publications from major institutions active in the private sector and development field. The database is easily searchable by various criteria such as region, business sector, theme, lead organization, or MDG. The case studies are also searchable based on the constraints they face and the solutions used to overcome them.
- An **Actor Database** comprises 260 supporting actors at local, regional or global level who can provide financing, share expertise, raise awareness and work towards introducing relevant policies. They include government entities, academic institutions, development agencies, multi-stakeholder platforms and nonprofit organizations. They are searchable by country and service sector – from policy to research and advocacy, financing and capabilities.



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Inclusive business models—business models that include poor people into value chains as producers, employees and consumers—can make a significant contribution towards meeting the Millennium Development Goals (MDGs). The businesses that create and use these innovative models range widely. Some are large multi-national companies (MNCs), others large domestic companies. Still others are co-operatives or small and medium-sized enterprises (SMEs). Finally, some are not-for-profit organizations (NPOs) that use business principles—or social business approaches—to achieve their mission.

Such businesses engage and depend on a diverse set of actors. As they design their inclusive business models, they build on foundations created by policy and through research and advocacy. And when they put the models into practice, they rely on partnerships with other organizations that contribute financial resources and specialized capabilities.

For example, a utility may invest in providing water and sanitation services to slum dwellers. The design of such a programme will depend on national regulatory policy, which can include incentives for sustainability and transparency. Research and advocacy institutions can offer knowledge about success factors in providing water and sanitation services to poor households and about how to provide such services both profitably and equitably. Funding can benefit the programme while carrying preferential conditions tied to environmental and social standards. And development organizations can contribute expertise in organizing local communities and in building local capacity to create community-based management systems—saving administrative costs and generating income.

By collaborating and building on each other's work, businesses, governments, donors, NPOs and others can develop more inclusive markets that result in expanded choice and opportunity for the poor and produce outcomes that benefit the poor. UNDP contributes to this development through its Inclusive Market Development (IMD) approach, an open and participatory process that involves all relevant actors at various levels to promote inclusion of the poor into markets from which they have so far been excluded.

This report is based on an understanding of poverty as a lack of valuable opportunities—not merely as insufficient income or consumption. The MDGs reflect this multi-dimensional approach to poverty by addressing a wide range of issues, including productive employment and decent work; gender disparities; maternal and child mortality; the eradication of diseases such as HIV/AIDS, malaria and tuberculosis; environmental sustainability; and access to new technologies.

As 2015 approaches it is clear that while we are on-track to meet some goals, we are severely behind in others. Progress has taken place in some of the poorest countries, demonstrating that the MDGs are indeed achievable with the right policies, with adequate investments and with international support. But for countries and issues in which progress needs to be accelerated, it is essential that the MDGs become everyone's business.

SIX ROLES FOR BUSINESS IN MEETING THE MDGs

The MDGs express a wish and a promise that we—as a global society—can make poverty history. From a purely formal perspective, they represent a commitment by 189 governments to advance their societies towards eight targets in several related areas: health, poverty, gender equality, the environment, a global partnership. But for people who take a more expansive view, the MDGs mean more: they embody the world's will to eradicate poverty.



Box 1. The benefits from inclusive business models

According to the 2008 report *Creating Value for All: Strategies for Doing Business with the Poor*, published by the UNDP Growing Inclusive Markets Initiative (GIM), inclusive business models include the poor at various points in the value chain: on the demand side as clients and customers, and on the supply side as employees, producers and business owners. They build bridges between businesses and poor people for mutual benefit in the supply chain, in the workplace and in the marketplace.

The benefits from inclusive business models go beyond immediate profits and higher incomes. For business they include driving innovations, building markets and strengthening supply chains. And for the poor they include higher productivity, sustainable earnings and greater empowerment.

Here business has six essential roles to play: by generating growth, by including poor people into their value chains, by contributing knowledge and capabilities, by developing innovative approaches, by replicating those approaches across borders and by advocating for policies that will alleviate poverty.

First, *economic growth* is a main driver of poverty alleviation. Increases in productivity and output create jobs, higher incomes and new income opportunities. An example was seen in China and India during periods of high growth from 1993 to 2005: as per capita purchasing power increased,¹ the poverty headcount—defined as the percentage of those living below \$1.25 per day (2005 PPP)—declined from 54% to 16% in China and from 49% to 42% in India.² Such growth also boosts public income through taxes, allowing governments to invest more in social infrastructure and services. Business also contributes to this investment and growth: in 2009, foreign direct investment injected \$548 billion into developing-country and transition economies.³

However, business can do more than merely promote poverty alleviation as an unintentional (or ‘trickle-down’) effect of growth. To target poverty more effectively while increasing revenues, business can employ what the UNDP Global Inclusive Markets Initiative (GIM) has called *inclusive business models* (box 1) to consciously include poor people

into its value chains—as producers, as partners, as employees and as consumers. In thus actively creating opportunities for poor people, business can contribute not only to their economic well-being but also to their health and social standing.

Third, business can contribute *knowledge and capabilities* towards meeting the MDGs. For example, fighting HIV/AIDS and other diseases requires action from pharmaceutical companies, medical-care providers and pharmacies, as well as from water and sanitation providers (many of them working as businesses). Reaching the MDGs requires more than funding—it also requires current knowledge, effectively used. Here the technical, but also the managerial competencies of business are needed.

Fourth, meeting the MDGs demands *innovation*—a key quality for business, driven especially by the need to compete. For example, an effort to provide information and communications technology (ICT) to an entire population may require technological advances in data processing along with new business models. Phones may be used instead of computers; content may be paid for by phone. Most companies have specific processes to promote innovation.

Fifth, a business—unlike a government—can *replicate* successful approaches in various countries, since it is not confined to one locality. Many businesses, even small ones, complete transactions and maintain operations across borders. A business can act as a conveyor belt for innovative solutions.

Sixth, business can be an important *advocate* for poverty alleviation. It is an inconvenient truth that creating policies against the interests—or perceived interests—of business is difficult. Although a need for change has been widely acknowledged, the trade regime and agricultural markets of our world still put developing countries, and especially the poor people in them, at a disadvantage. Progress can be made on the political front when business players join together to form coalitions that advocate change and support the MDGs.

It must be said that business and market approaches are no panacea for tackling poverty. The many dimensions and causes of poverty require diverse, context-specific solutions. Poor people can gain more from access to markets if they have at least a few assets—land, health, education—or a small income to build on. Humanitarian aid, social work and free public services can bring opportunities. The effectiveness of business in fostering development depends on the policy environment and the quality of political, social and economic institutions.⁴

HOW CAN INCLUSIVE BUSINESS MODELS CONTRIBUTE TOWARDS MEETING THE MDGs?

This report draws on the insights and the frameworks for inclusive business models in the GIM report *Creating Value for All: Strategies for Doing Business with the Poor*⁵ (box 1) and in a joint publication of the UNDP and the International Business Leaders Forum (IBLF) by Jane Nelson and Dave Prescott, *Business and the Millennium Development Goals: A Framework for Action*.⁶ Using the UNDP and IBLF framework, three areas of engagement for inclusive business can be distinguished:

- **Core business operations and value chains.** Core business operations and value chains can create shared value by involving poor people—and benefiting them—as producers and business partners in the supply and distribution chain, as employees in the workplace and as consumers in the marketplace. This report focuses on core business operations and value chains for inclusive business models, looking specifically at their relation to the MDGs.
- **Social investment and philanthropic contributions.** Businesses can give back to the community through traditional philanthropy, but also by using new approaches. Examples include social venture funds to product donations, employee volunteering and other in-kind contributions.

Box 2. Measuring the impact of business on efforts to meet the MDGs

For businesses that seek to contribute towards meeting the MDGs, as well as for their stakeholders, understanding an activity's real impact is critical. First, the actors involved in implementing or funding a business need to know whether it is achieving its objectives or whether adjustments are required in the business or its supporting infrastructure. Second, concrete results help communicate achievements more effectively, to manage stakeholder expectations and to gain further support. Finally, for meeting the MDGs, data can help discover how much a business activity has contributed and how much progress remains to be achieved.

Measuring impact, however, is far from simple. Experts typically distinguish between *outputs* (what a project produces, such as a certain quantity of insecticide-treated bed nets); *outcomes* (direct effects of

production related to the project, for example, on worker incomes or on health); and *impacts* (changes in the population that are observed to result from the project, especially over a longer period).

Impacts are the hardest to measure. That is because changes in community health or per-capita income (for example) can be influenced by complex variables, and it is difficult to attribute them to a given intervention. Inspired by clinical trials, economists have developed *randomized controlled trials* (RCTs) to isolate factors in impact measurements: a treatment group participates in the intervention, while a control group is excluded. Yet such approaches can be prohibitively costly, time-consuming and labour-intensive—especially for independently-funded organizations. And when they are run by companies on their own projects (as most are now), RCTs and other impact-measurement approaches can be vulnerable to self-reporting bias.

The challenge for business is to find well-integrated impact-measurement methods, methods that can support ongoing project management while still producing useful data. Of the many available tools in this growing field, two related specifically to the MDGs can exemplify the diversity of approaches:

- **The Global Reporting Initiative (GRI)** offers standard indicators for reporting on a company's social, environmental and economic performance. Most measure outputs and outcomes: for example, net employment creation and energy use. A guide is available, titled *Communicating Business Contributions to the MDGs*.
- **The MDG Scan**, developed by NCDO (a Dutch NPO), allows businesses to estimate their impact on the MDGs based on existing data about their operations, community investments and sales of products and services that specifically address the MDGs.



- **Public advocacy, policy dialogue and institution strengthening.** Businesses can engage governments and policymakers at all levels—local to global—to support the creation and implementation of conducive policies and to strengthen capacity for administration and execution.

Beyond the purely commercial benefits of inclusive business models for poor people, further impacts (box 2) can result from three areas of a company's activities: in its supply chains, in the workplace and in the marketplace.

- **Business can use its supply chains to create local opportunities** by purchasing goods and services within a community. It can invest in the knowledge and skills of business partners through training and quality management. And it can press for responsible social and environmental standards and practices in the supply chain—creating incentives and know-how to improve suppliers' health and safety conditions, their human rights and labour standards and their environmental sustainability.
- **Business can benefit poor people in the workplace** by creating jobs and offering good wages and working conditions. To develop its human resource pool a business may provide opportunities for training and skills development, enabling employees to advance

in their positions or create their own businesses. A business can also offer additional benefits to employees, including health services for them, their families and communities; social security systems, such as insurance or pensions; access to day care and schooling for their children; and services related to housing, transportation, food and hygiene. Job opportunities can do much to empower women, and businesses can actively promote women employees.

- **Business can serve poor customers in the marketplace** with safe and affordable products and services—especially in essential domains such as nutrition, health, energy, finance, housing and information. Innovative solutions may spread modern technologies and approaches, while they educate customers in the best use of the products and services as well as with relevant background knowledge. Further, opportunities for income and economic independence may arise in the selling, servicing and disposing of the products.

UNDP GUINEA



Box 3. The special role of co-operatives in inclusive business

Co-operatives have nearly 800 million members and account for an estimated 100 million jobs today. In many countries they are important providers of foodstuffs, housing, and financial as well as other consumer services (such services vary widely).¹ Often they make essential infrastructure and services available in areas that are not viable for the state or for investor-driven enterprises.²

But the special relevance of co-operatives for development is also based on their governance structure. A co-operative company is owned by its members, giving them ownership of business solutions and a share in business profits. Co-operatives have thus been made tools for community empowerment—for example, within the fair-trade and micro-finance movements.

Co-operatives cut across the four business types introduced in this chapter. Some, such as Credit Agricole and other banks, are multi-national and profit-oriented. Others, such as energy and consumer-goods co-operatives, are small and not profit-oriented.

Notes: 1. International Labour Conference Report V (1): "Promotion of cooperatives—Fifth item on the agenda", International Labour Organization, <http://www.ilo.org/public/english/standards/relm/ilc/ilc89/rep-v-1.htm>. 2. "Employment: Job Creation and Enterprise Development Department (EMP/ENTERPRISE)", International Labour Organization, https://www.ilo.org/empent/WorkingUnits/lang--en/WCMS_DOC_ENT_DPT_COO_EN/index.htm.

Table 1. Capacities and motives for doing business to meet the MDGs, by business type

Business type	Characteristic capacities	Characteristic motivations
Multi-national company (MNC)	<ul style="list-style-type: none"> ■ Has high global visibility ■ Uses global supply chains ■ Maintains operations in various countries 	<ul style="list-style-type: none"> ■ Is subject to increased pressure and scrutiny from advocacy organizations ■ Seeks reliable, high-quality supplier relationships ■ Seeks new growth markets in low-income communities
Large domestic company	<ul style="list-style-type: none"> ■ Has a large local work force ■ Is deeply embedded in local communities ■ Has long-standing relations with public authorities 	<ul style="list-style-type: none"> ■ Has historical ties with communities and acceptance of responsibilities for employees, their families and communities (for example, providing social services) ■ Values closeness to local low-income communities as an advantage for business development—including over foreign players ■ Relies on a stable national political environment
Small or medium-sized enterprise (SME)	<ul style="list-style-type: none"> ■ Has close ties with employees, customers and business partners ■ Often 'goes the last mile' to cater to, or source from, a low-income community 	<ul style="list-style-type: none"> ■ Depends on established relationships as a result of personal ties to employees, customers and business partners ■ Needs a competitive niche
Not-for-profit organization (NPO)	<ul style="list-style-type: none"> ■ Is mission-driven (not profit-oriented) ■ Is flexible in inventing and testing new business models 	<ul style="list-style-type: none"> ■ Seeks financially sustainable and scalable models to support its mission, including by helping others to implement solution approaches ■ Aims to create income and employment opportunities for people in low-income communities





WHO EMBRACES INCLUSIVE BUSINESS MODELS—AND WHY?

This report defines *business* broadly, as any economic activity with the sale of goods and services as its main source of income. So understood, business can be undertaken by a wide range of actors. Such actors include private for-profit companies of all sizes—from the one-person enterprise to the MNC with thousands of employees in dozens of countries. Also included are state-owned companies and co-operatives (box 3). Even not-for-profit organizations use business strategies to achieve their missions more effectively and efficiently.

All these businesses have parts to play in this report. For simplicity, we distinguish four types: MNCs, large domestic companies, local SMEs and NPOs (or social enterprises that are mission-oriented rather than profit-oriented?). As broad as these types are, the boundaries are not always clear-cut, and the types are often mixed. Throughout the following chapters this typology is used, along with best practice examples, to highlight the unique contributions of various kinds of businesses while representing their diversity.

Previous discussions of business and development have often confined themselves to one business type or another—to large multi-nationals or to the local entrepreneur, to social enterprises or to profit-driven, publicly-listed companies. In fact, inclusive business models can involve several or all types at once, each adding its specific resources and competencies.

The motives that drive various business actors to engage the development agenda are equally diverse. Generally, however, these motives can be understood in relation to three main themes:⁸

- **Nurturing an enabling environment that supports business activity.** Business actors seek help in maintaining their license to operate, and in preserving an open and constructive dialogue, through acceptance and support from stakeholders. Such stakeholders include local communities, civil society and policy-makers. If these stakeholders' relations with a business are good, they may take its interests into account as they pursue their own agendas—for example, government investment in local infrastructure, the development of new laws and regulations or the promotion of civil-society and community-led activities around health and education.
- **Reducing risks as much as possible.** Doing business inclusively and responsibly can reduce many risks, including reputational risks (from environmental

damage or poor working conditions in the supply chain), risks of high absenteeism (due to poor health caused, for example, by HIV/AIDS-related sickness) and risks of low employee commitment (the result of poor identification with the business and its interests).

- **Promoting new opportunities.** New business opportunities can arise from strengthening supply chains, empowering employees and winning new customers. Businesses can improve on production quality and cost, extend their innovations and build new growth markets.

Characteristic capacities and motivations

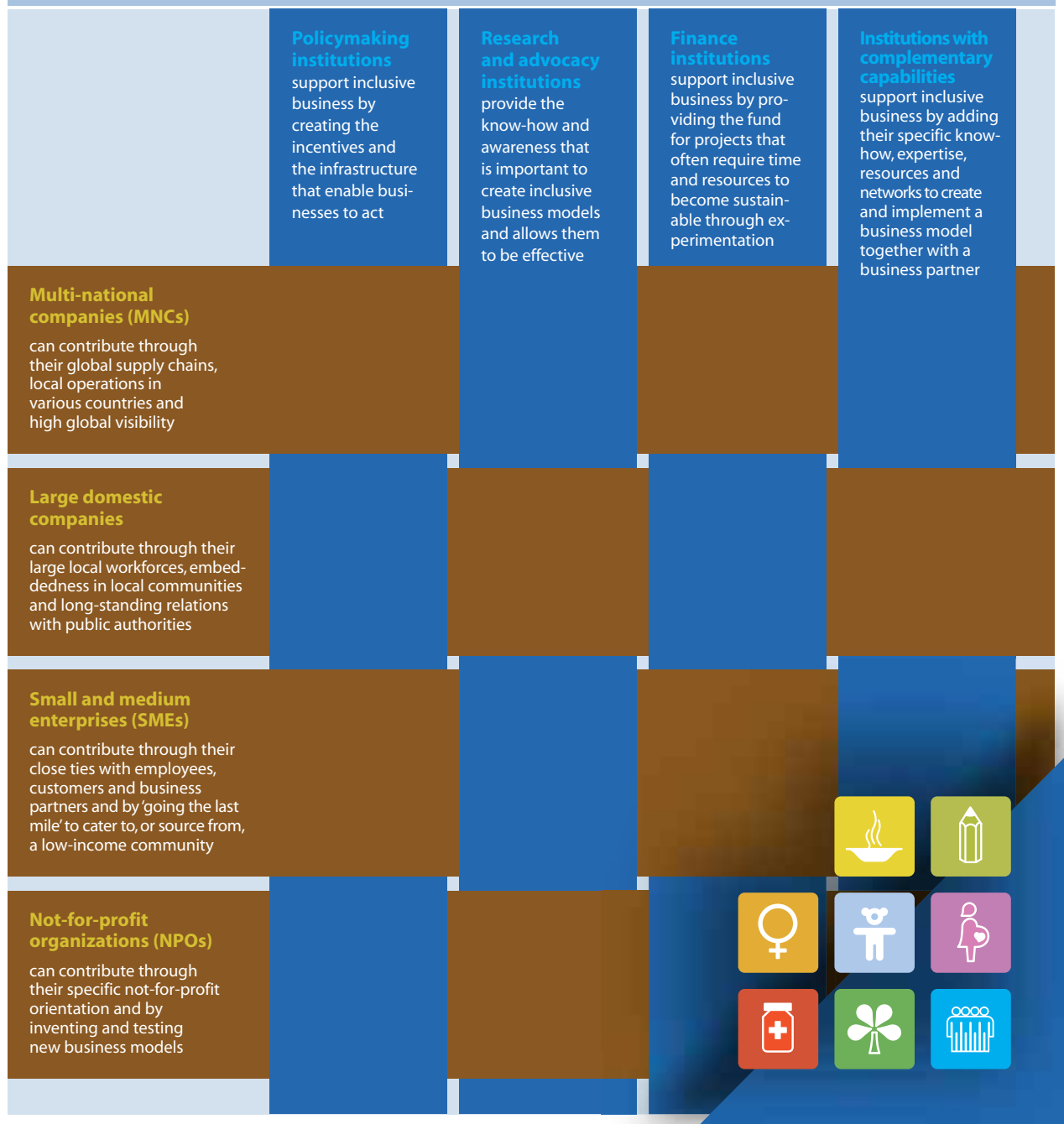
Each business type has its own capacities and motives for contributing to development. These are summarized in table 1. To be sure, the table offers a high-level analysis of facts that in the real world can be much more varied and complex. Still, such a reduction helps to highlight the unique contributions that business actors of each type can make towards meeting each MDG.

WHO ARE THE SUPPORTING ACTORS—AND WHAT ARE THEIR ROLES?

Businesses can contribute significantly to achieving the MDGs, and they have good reasons to contribute. But they cannot do it on their own. They always require others' support to put inclusive business models into practice. To act, they need the enabling environment provided by government policy—and in most cases they also need other institutions to help execute (box 4).

To ensure an enabling environment, *policymaking institutions* must create incentives for companies to use inclusive business models. Also important as enablers are *research and advocacy institutions*: empirical studies show how best to address an issue, while advocacy makes the case for engagement and mobilizes public awareness and support (advocacy initiatives can also be effective hubs for knowledge and for contacts to other businesses or partners in other sectors). *Financing institutions* can help to fund initiatives. Finally, *institutions with complementary capabilities* can help to implement the initiatives by adding expertise and operational capacities. Business actors that

Figure 1. Actor networks in inclusive business models



enlist these four types of institution for support can most effectively contribute towards meeting the MDGs through using inclusive business models.

In turn, the supporting actors that fall into these four institutional types—including government policymakers, research and advocacy initiatives, foundations and social investors,



Box 4. Actor networks in inclusive business models: how TEMASOL has helped electrify rural Morocco

A business model will involve many actors: in addition to the focal firm it will require suppliers, funders, partners and customers. Many inclusive business models depend on networks of non-traditional actors, including—for example—governments, public organizations, local communities and not-for-profit organizations. That is because, as inclusive business models venture into new territory and build new value chains, they must use existing resources creatively and work with actors that have the needed resources and capabilities.¹

This report draws heavily on GIM's ongoing research into these actor networks. It is based on an early analysis of 65 case studies from 27 countries: studies that represent various industries and businesses of all sizes, including not-for-profit organizations and co-operatives, and that were developed by researchers from those countries.

Using the case studies to reveal the roles played by various actors, the report distinguishes among four basic roles played by institutions in supporting inclusive business models:

- Policymaking.
- Research and advocacy.
- Financing.
- Providing complementary capabilities.

Actor networks for inclusive business models can be illustrated through the example of a Moroccan solar electrification company, TEMASOL (figure 2). A joint venture of the French oil and electricity companies TOTAL and EDF with their joint affiliate, TENESOL, TEMASOL was created in 2002 within the framework of a national programme to electrify Morocco's rural regions. The program's goal at its initiation in 1994 had been to increase the country's rural electrification rate from 12% in 1994 to 97% in 2007–08.

Despite efforts by Morocco's national electricity office, ONE, to expand grid-based coverage, about 9% of the rural population lived in areas too remote to be cost-effectively connected. Since Morocco is a very sunny country, ONE called for bids from other service providers to electrify rural areas through photovoltaic (PV) kits. TEMASOL, created in response to that call, was awarded the largest concession—a service contract to supply 16,000 rural homes with PV electricity in four provinces—because of its parent companies' expertise in both solar energy and rural electrification, and because its partner, the French Fund for the World Environment (FFEM), had been researching solar energy since its creation in the early 1990s.

The programme was initially financed within the framework of the German-Moroccan financial cooperation through the KfW development bank. Each PV kit is owned by ONE, which pays 90% of its cost. The other 10% of the cost is paid by customers through a connection fee. Customers also pay a monthly service fee.

Between 2002 and 2008 the programme connected 106,200 customers who are now better able to work and study after sunset. In addition, the PV kits are used to operate water wells. In 2009 TEMASOL employed 84 people. Finally, the programme allows for a saving of 32,000 tonnes of CO₂ over 10 years, compared with traditional energy uses.

Note: 1. One of the key observations made in UNDP (2008).

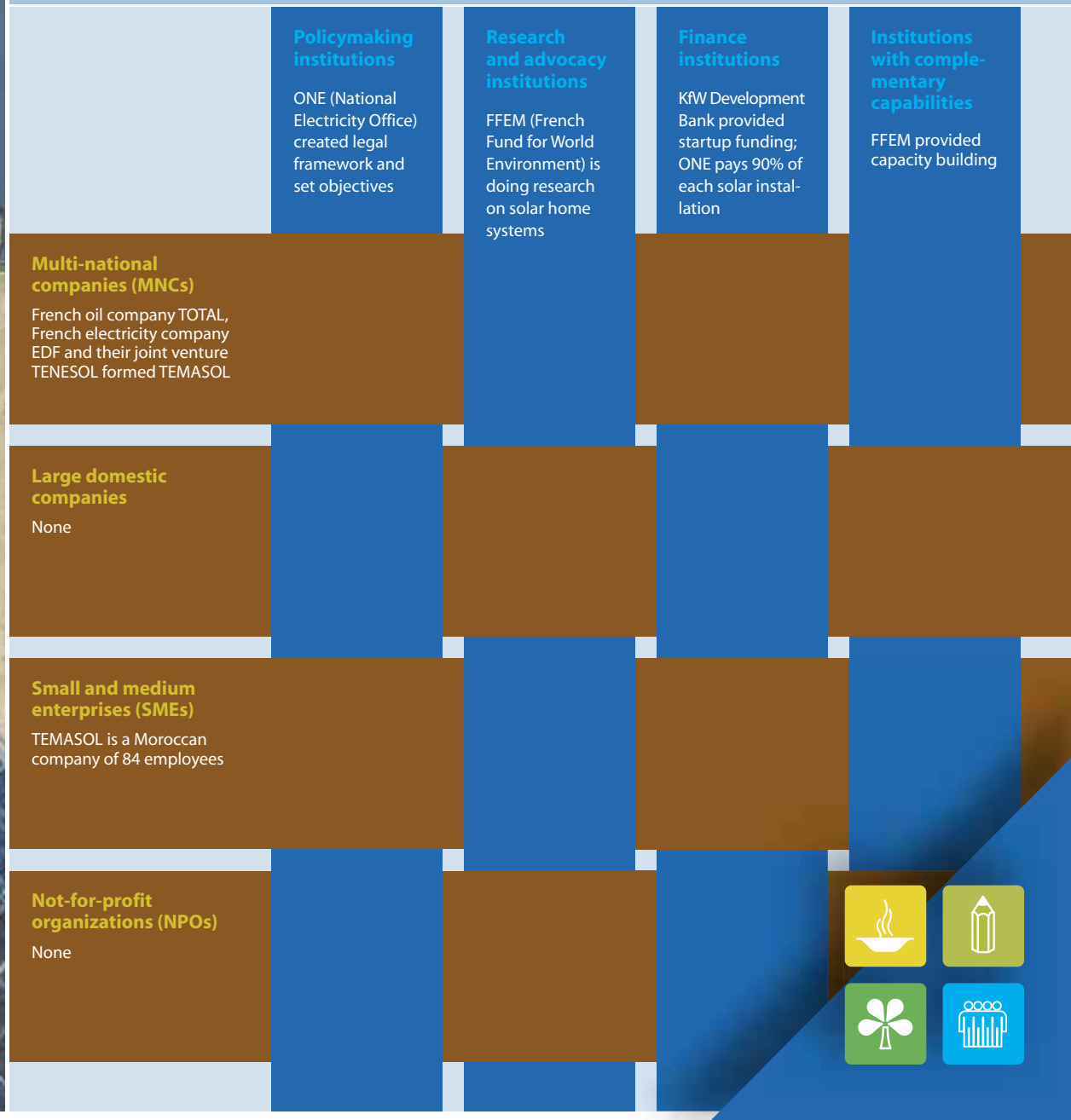


TEMASOL

non-governmental organizations (NGOs) and public-sector agencies—can work with business to reach their own objectives more effectively and efficiently. For one thing, business can offer expertise, resources, operational capacities and management know-how (abilities that often

are complementary). For another, a business can keep an open timeframe and grow organically because it creates its own revenues. Finally, a business contains a built-in feedback mechanism that is often lacking from non-business approaches. Whenever members of a target group

Figure 2. TEMASOL Actor Networks



(producers, consumers, employees) are not satisfied with a business relationship, they can make their voice heard—at least where viable alternatives exist.

The following paragraphs focus on the roles available to each of the four types of supporting actor. As the

chapters in this report will show, many actors actually play more than one role and contribute towards meeting more than one MDG. More comprehensive profiles will gradually be made available in the online database at <http://www.growinginclusivemarkets.org>.



Policymaking

Public policy creates the incentives and the infrastructure that enable businesses to act. On the one hand, to make it easier for business to play a role in meeting the MDGs, policymakers can open doors for business, provide economic benefits (or prevent loss), create standards and guidelines and clear a space for public-private partnerships. On the other hand, to make markets work for poor people, specific policies must deal with market failures and target the promotion of pro-poor growth—growth that augments the choices of the poor by providing them with goods and services or by offering them income-generating opportunities and decent work.⁹

In recent years public policy has developed new forms of engagement with business, including soft-law approaches (voluntary agreements, guidelines), partnering initiatives (round tables, collective-action efforts) and awareness-raising efforts (labels, award schemes). These create openings for policy engagement with companies as well as for transparent and accountable exchange. Ideally, national policymakers should provide an overarching framework for all players to contribute towards meeting the MDGs, ensuring that synergies are leveraged, that actors are networked and that efforts complement each other rather than compete.



RICCARDO GANGALE/UNDP

International policy initiatives can also provide direction. The United Nations agencies and programmes work with national policymakers on MDG-related policies (for example, the World Health Organization on health-related policies and the United Nations Environment Programme on environmental sustainability).

Research and advocacy

Research related to inclusive business models and the MDGs often starts from experience—to document what has been done, identify promising approaches and build theoretical frameworks. For example, GIM develops case studies with developing-country researchers and analyses them. The Base of the Pyramid (BoP) Protocol takes an action-research approach, involving researchers in creating new business models from the bottom up. The Delft University of Technology (TU Delft), the Massachusetts Institute of Technology (MIT) Design Lab and Stanford's Design for Extreme Affordability tailor



UNDP UNITED ARAB EMIRATES

design approaches to the context of poverty. And Making Markets Work for the Poor, an initiative of the United Kingdom's Department for International Development (DFID), creates systemic analyses of challenges to governments and donors in creating more inclusive markets.

Advocacy can bring a topic to the attention of policymakers and the general public, creating an impetus and offering guidance to businesses that want to engage. Accordingly, advocacy initiatives often become important hubs for the exchange of experiences, ideas and contacts. The United Nations Global Compact, the World Business Council for Sustainable Development (WBCSD) and the International Business Leaders Forum (IBLF) are three global initiatives that advocate for the role of business in development.

Financing



UN PHOTO/MARK GARTEN

Financing is an issue for most inclusive business models, whether involving MNCs or NPOs—though the solutions for each might look very different. Inclusive business models often tread new ground, requiring time and resources to become sustainable through experimentation. Some require ‘patient capital’, or funding that does not come with mainstream expectations of high returns or short-term returns. Social investment funds, such as Acumen, have financing models for lower and slower returns. Such financiers can benefit SMEs and NPOs by valuing social returns at least as much as financial ones. Foundations, such as the Bill and Melinda Gates Foundation and the Rockefeller Foundation, also support NPOs’ business approaches. Traditional venture financing, equity and debt financing also remain viable options.

Some of the contributions that inclusive business models can make to society at large, from environmental protection to women’s empowerment, may offer no immediate financial return. In such cases—when the public benefits are high, but private benefits are too low to justify the effort—the public sector can enter as a partner. Public-private partnership programmes, such as those offered by DFID, the United States Agency for International Development (USAID) and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), pool resources with companies (including larger ones) to get valuable projects on the road. The International Finance Corporation (IFC) and regional development banks have investment programmes targeted to meeting many of the MDGs.

Providing complementary capabilities

When businesses engage in development they often require support from other actors who are better versed in the special conditions of poverty and in particular issues that arise. For example, while a company may have a keen interest in educating employees about HIV/AIDS prevention, it may not have the skills or resources to do so. A reasonable solution is to partner with a public-health and social-marketing specialist, such as Population Services International, which can bring exactly the missing capacities to the table.



UN PHOTO/KY CHUNG

Development organizations—such as Oxfam, Cooperative for Assistance and Relief Everywhere (CARE) and many others—can make inclusive business models more sound and complete by contributing development expertise. Micro-finance institutions have been sought as partners for their extensive networks, gender-based knowledge and experience with financial transactions. Finally, public agencies, such as hospitals and schools, have often been involved where implementation requires educating a target group.