HARVARD Kennedy School
Corporate Social Responsibility Initiative

EXPANDING OPPORTUNITY and ACCESS

Approaches that harness markets and the private sector to create business value and development impact

SUMMARY

Jane Nelson

ACKNOWLEDGEMENTS

The research, writing and publication of this report would not have been possible without the input of numerous colleagues and friends. Particular thanks to Beth Jenkins and Rashmir Balasubramaniam, who provided extensive content and editorial support. Thanks also to Belinda Richards, Shannon Murphy, Scott Leland and John Ruggie at Harvard Kennedy School, and to the members of our Corporate Leadership Group. Also to my colleagues at Brookings and at the International Business Leaders Forum. The Bill & Melinda Gates Foundation provided valuable assistance for the project, and special thanks to Kim Hamilton, Mark Suzman and Oliver Babson for their support. Thank you also to Alison Beanland, Anthony and Libby Nelson for their valuable contribution. Above all, this work is informed by the hundreds of inspiring and remarkable practitioners I have been fortunate to work with over the past 18 years who are demonstrating the potential of harnessing markets and the private sector for development. It is impossible to do full justice to their creativity, persistence and commitment.

Written by Jane Nelson

Designed by Alison Beanland
Printed by Puritan Press

Cover photographs: Workers at a textile factory in Tirupur. There are some 7,000 garment factories in the city, providing employment to close to one million people, Atul Loke/PANOS; Farmer Oumar Sakho, 50, stands in his corn field using a mobile phone, Jacob Silberberg/PANOS; Radja outside her small shop, selling mobile phones, scratch cards and photocopying services in Naivasha, Sven Torfinn/PANOS.

The market mechanism, which arouses passion in favor as well as against, is a basic arrangement through which people can interact with each other and undertake mutually advantageous activities. In this light, it is very hard indeed to see how any reasonable critic could be against the market mechanism, as such. The problems that arise spring typically from other sources – not from the existence of markets *per se* – and include such concerns as inadequate preparedness to make use of market transactions, unconstrained concealment of information or unregulated use of activities that allow the powerful to capitalize on their asymmetrical advantage. These have to be dealt with not by suppressing the markets, but by allowing them to function better and with greater fairness, and with adequate supplementation. The overall achievements of the market are deeply contingent on political and social arrangements.

Amartya Sen
Master of Trinity College, Cambridge University
Winner of the 1998 Nobel Prize in Economic Science
Development as Freedom
1999[1]

We can make market forces work better for the poor if we can develop a more creative capitalism – if we can stretch the reach of market forces so that more people can make a profit, or at least make a living, serving people who are suffering from the worst inequities. We can also press governments around the world to spend taxpayer money in ways that better reflect the values of the people who pay the taxes. If we can find approaches that meet the needs of the poor in ways that generate profits for business and votes for politicians, we will have found a sustainable way to reduce inequity in the world. The task is open-ended. It can never be finished. But a conscious effort to answer this challenge will change the world.

Bill Gates
Chairman, Bill & Melinda Gates Foundation
Commencement Address, Harvard University
June 7th, 2007[2]

Introduction

The private sector is playing an increasingly important role in expanding opportunities and access for people in developing countries to lift themselves out of poverty. Pioneering corporations, entrepreneurs and financiers in a variety of industry sectors are bringing innovative new approaches and resources to support development goals while achieving their business objectives. They are leveraging their core competencies and value chains along with strategic philanthropy and public policy dialogue to include the poor as producers, employees and consumers, to spread more accountable and responsible business practices, and to drive more environmentally sustainable growth. They are developing new business models aimed at achieving competitive advantage alongside new collaborative models aimed at achieving systemic change.

Over 250 examples of domestic and foreign enterprises reviewed for this study illustrate the potential of private investment that explicitly aims to realize development impact while also creating business value. To achieve this dual objective innovation is often required in products, services, technologies, business models and stakeholder engagement mechanisms at the level of individual firms. Systems-level innovation is also necessary to accelerate the pace of change and to achieve scale and sustained impact. This includes coordinated interventions along key value chains and the creation of development clusters in areas such as agriculture, health and nutrition, water and sanitation, energy, housing, education and financial services. It requires the use of new technology platforms and the creation of new types of financial instruments and intermediaries that harness a combination of public, private and philanthropic resources. And it calls for policy and institutional reforms on the part of both donor and developing country governments.

These innovations require a dynamic combination of competition and collaboration among governments, among companies, and across private enterprises, governments, and civil society organizations. They require new mindsets and better understanding of and engagement with the poor as producers, employees and consumers. In short, new approaches to development are called for to unleash the capital, expertise, technology and ingenuity of the private sector and to make markets work better for the poor. They are also required to ensure greater transparency and accountability for development outcomes on the part of governments, donors and corporations. The challenges are numerous, but so too are the opportunities to help several billion people lift themselves and their families out of poverty. And the urgency has rarely been greater.

The global financial crisis, volatility in food, fuel and other commodity prices, fundamental demographic shifts, conflict and state fragility in some countries and the early impacts of climate change in others, combine to make poverty alleviation an economic and security imperative, as well as a humanitarian and moral one. They force us to think more systemically about how to build positive links between job creation, income generation, access to essential products and services, ecosystem sustainability, and individual and institutional capacity development. And they call for more integrated approaches to addressing health, food, water, and energy access and security. Few of these challenges can be tackled without the active engagement of the private sector and other non-state actors.

There is everything to play for. A number of transformative shifts are underway in the global development landscape. These make it possible perhaps for the first time to experiment with a wide variety of different business models and new collaborative approaches aimed at achieving systemic change. They also make it imperative to dedicate more resources to evaluating and where appropriate scaling and replicating what works, whether the solution is community-driven, market-based or government-led. Several trends are especially worthy of note and relevant to the role of markets and the private sector.

First is the rising prominence of non-state actors: Empowered by a combination of improved governance, market liberalization and new technologies, non-state actors are spearheading a fundamental transformation in business models and nonprofit service delivery to serve the poor. Many are domestic enterprises within developing countries. Others are driving the growth in cross-border capital flows to developing countries. They include corporations, small and medium enterprises, investors, philanthropic foundations, diasporas, faith-based networks, social entrepreneurs, non-governmental organizations, high-profile individuals and the general public. They are now mobilizing substantially more financial and in-kind resources for global development than donor governments. South-south private capital flows between developing countries are also on the rise.

Together, these non-state actors are injecting a strong dose of dynamism, diversity and innovation. They are leveraging new technologies and developing innovative new financial instruments and capital allocation strategies to reach the poor and to invest in green growth. They are also driving and requiring new approaches to accountability and transparency. The activities of these non-state actors range in scale from multi-million dollar transnational initiatives to millions of low budget community-based efforts, and from multi-stakeholder coalitions to individual citizen action. Their motivations range from philanthropic contributions to the generation of profit, and from responding to immediate humanitarian needs and stakeholder expectations to investing in long-term development.[3]

Developing countries are becoming an important source of new market and investment opportunities for many private firms and industry sectors. At the same time, over the past decade growing momentum in fields such as corporate social responsibility, responsible investment, microfinance, social entrepreneurship, venture philanthropy and impact investing have changed the way that many private enterprises engage on development issues. They have also changed the manner in which these private enterprises interact with other development players. On the one hand, they have increased the risks and costs associated with a company having, or being perceived to have, a negative impact on development. On the other hand, they have created new opportunities for private enterprises that can deliver solutions that align business value with development impact.

Second is the search by governments for new approaches: Government leadership is more essential than ever in scaling and sustaining efforts to alleviate poverty and drive green growth. Both domestically and globally governments are looking for new ways to leverage public finances and to achieve greater synergy and effectiveness in tackling these challenges.

In terms of global development, there is a growing emphasis on 'country ownership' of development solutions, recognizing the essential foundations of rule of law, accountability and transparency, effective institutions and strong leadership within developing country governments. Traditional donors are increasingly focused on increasing aid effectiveness, strengthening the links between aid, trade and investment, and improving global governance. New donors from emerging or re-emerging economic powers such as China, India, Turkey, South Korea, Brazil and parts of the Middle East are driving a substantial increase in south-south cooperation with a focus on infrastructure, private sector development and economic growth. In addition to the rise of private investment, sovereign wealth funds and public pension funds are also becoming influential investors in some developing countries. The Millennium Development Goals (MDGs) established in 2000 have provided for the first time a common framework and set of globally agreed targets against which to assess progress, while the growing specter of climate change is forcing governments to focus on the interdependence between economic growth, poverty and the environment. None of these challenges can be tackled without the active engagement and resources of the private sector and other non-state actors.

Third, is growing recognition of the need to more directly listen to, learn from and engage with the poor themselves in finding solutions: Until recently, remarkably little empirical research had been undertaken to understand the poor as economic actors and to consult them at scale about their needs, aspirations, capacities, constraints, and resource management strategies. Today, much more is known about how they manage their very limited budgets and assets within the difficult contexts in which they live. More proactive and systematic initiatives are being undertaken to directly engage them as producers, employees, consumers and active participants in the design, implementation and monitoring of development interventions. This is needed not only at the community and project level but also at the governance and policy level to enable them to enter formal markets. There is a growing focus on legal empowerment for the poor and on efforts to support them to organize or aggregate in order to gain greater economic capacity and clout, as well as a stronger political voice. And there is now widespread recognition of the many development benefits of investing in empowering women and girls.

Fourth is the transformative impact of scientific research and innovative new technologies: Innovation, especially emerging technologies – from information and communications technology to life sciences, biotechnology, nanotechnology and clean technology – is fundamentally changing the economics of what is viable and scalable in tackling poverty. The ability of the poor to integrate into formal markets and the growing reach and influence of non-state actors has been underpinned by and is also driving unprecedented mobile communications capacity and other enabling technologies and applications in the fields of finance, healthcare, agriculture, water, energy, climate adaptation, education and disaster response.

Innovations range from tiny mobile phone kiosks in remote rural communities to more energy efficient and climate resilient infrastructure in rapidly urbanizing cities. They include more nuanced and integrated approaches to harnessing different types and sources of technology. These range from traditional, conventional and intermediate technologies to the 'high-tech' new platforms based on advanced sciences. This more integrated approach reflects a move away from the mindset that technology for the poor always needs to be basic. It recognizes that traditional technologies are most effective in certain cases, but also opens up the immense potential of applying world-class high-tech solutions to poverty alleviation. The private sector is often essential in developing and scaling new technologies. In many cases, however, market failures and regulatory gaps make it necessary for governments and other non-state actors to work with the private sector in discovering, developing and delivering technologies that directly serve the poor and help to solve development challenges.[4]

In summary, the complexity of global challenges, the rising prominence of non-state actors, the search for new solutions by governments, improved understanding of the poor as economic actors, and the transformative impact of science and technology all underpin the growing potential of market-based solutions and greater engagement of the private sector in global development.

Clearly not all private sector development is beneficial to the poor. Some is exploitative and detrimental and needs to be strongly regulated or prohibited. Much fails to have a substantial or sustained effect that enables people to lift themselves out of poverty. Private sector projects that do serve the poor are often small-scale in reach and impact, and primarily philanthropic in nature. What is called for is the *explicit* creation of inclusive business models and markets that result in a more direct and sustained impact on poverty by intentionally including the poor in formal value chains. Such approaches can help low-income producers, employees and consumers to expand their access to employment and livelihood opportunities and to affordable and reliable products and services. In turn this enables them to build their capacity, their assets and their resilience.

Above all, this calls for visionary and collaborative leadership. A growing movement of individual and institutional change-makers is heeding this call to action. These pioneers come from a wide range of sectors, industries, countries and cultures. They are demonstrating that we can harness market forces and the private sector to improve the lives of the poor by combining commercial, social and public resources in innovative ways, by developing and leveraging new technologies and business models, and by working together in cross-sector alliances to achieve greater scale and systemic impact.

These pioneers offer great potential, but they are still relatively few in number and limited in scale and impact. There is a great opportunity and imperative to understand the barriers they are facing, learn what they are doing to overcome these, and invest in collaborative initiatives and enabling environments that would unleash their full potential.

KEY MESSAGES AND RECOMMENDATIONS FOR COLLABORATIVE ACTION

The report offers four key messages:

1) **Inclusive business and markets have a vital role to play in alleviating poverty and achieving other development goals.**

2) **Proactive leadership from the private sector is essential, especially from large corporations, high-impact commercial and social entrepreneurs, and private financiers.**

3) **Other development actors can catalyze and greatly enhance the contribution of the private sector – in particular governments, bilateral and multilateral donors, philanthropic foundations, academic and research institutions, and non-governmental organizations.**

4) **New models of collaboration are required to scale and sustain impact. These range from firm-level partnerships to business leadership coalitions and systemic multi-stakeholder alliances.**

The report makes recommendations in the following six areas where collaborative leadership, or at a minimum more coordinated interventions, will be especially important:

1 **Assess and promote empirical evidence** More collaborative research efforts are needed to: improve market research and information about the poor as economic actors; understand and disseminate the lessons of starting and scaling inclusive business models in different industries; measure the financial, social and environmental performance of these models; and assess the overall 'development footprint' or multipliers of large corporations.

2 **Build capacity and knowledge** Collaborative efforts are required to build skills, capacity and knowledge both within the corporate sector and for the poor as producers, employees and consumers. They can be especially helpful in enabling low-income communities to be better organized to participate in formal markets and value chains on a collective basis.

3 **Create innovative financial instruments** Blended value or hybrid financing is often required to fund inclusive business models. This combines different types and sources of capital with different investment horizons and performance requirements – what is increasingly termed 'impact investing'. Interesting collaborative models are emerging in the following areas and need to be pursued: challenge, innovation or replication funds; joint capacity-building facilities for intermediary organizations; and global funds and public-private partnerships especially in the areas of health, food security, education and climate change.

Individual companies can also create internal innovation or social venture funds. Philanthropic foundations can make more effective use of their balance sheets through program related investing. Investors can establish targeted investment vehicles and public sector donors their own dedicated facilities to fund inclusive business models.

4 **Establish or strengthen market intermediaries and platforms** In many successful examples of making markets work for the poor there are intermediary organizations or networks that play a vital role in some or all of the following: identifying and brokering partnerships; mobilizing and allocating resources; managing communications and conflict resolution; monitoring performance; spreading lessons, good practices and market information; and ensuring a joint advocacy voice. These intermediaries range from producer associations, microfinance intermediaries, small enterprise support centers, and community-based organizations, to business leadership coalitions and online networks and databases. Their roles need to be better understood and supported.

5 **Support multi-stakeholder alliances** Alliances that bring together large numbers of actors can drive systemic change and transformation. They can help to make specific value chains more inclusive and sustainable, implement national or regional development priorities, enhance the effectiveness of humanitarian assistance, and improve mutual accountability for development outcomes. They are an evolving model that warrants ongoing assessment and support by both the private sector and other development actors.

6 **Advocate jointly for policy innovation** Governments in developing countries can create incentives or requirements for large companies to develop inclusive business models and to make it easier for social enterprises and new investment vehicles to operate. In donor countries governments can employ a variety of incentives and tools to encourage their own private sectors to get more directly engaged in global development through a combination of trade, investment and global philanthropy and volunteering programs.



PART ONE:
THE ROLE OF INCLUSIVE BUSINESS AND MARKETS IN POVERTY ALLEVIATION

New models of business and development are needed in response to the fundamental economic, geopolitical, and technological shifts that have taken place over the past two decades and to meet the imperatives of renewing economic growth, tackling poverty and addressing climate change. Concerted efforts are required to make markets work more effectively for the poor by ensuring they are not only efficient and competitive, but also more inclusive. Inclusive business models and value chains that include the poor are at the heart of the challenge.

The role of the private sector

There is growing recognition of the important role that business plays in tackling poverty and creating wealth in developing countries and low-income households and communities. The private sector covers a wide range of diverse actors from smallholder farmers and micro-enterprises, to small and medium-size firms and large domestic and multinational corporations. It ranges from firms and financiers driven by the motive to maximize profits to social businesses, social enterprises and impact investors that employ market-based approaches with explicit social and/or environmental objectives. And it includes business associations, enterprise networks, producer cooperatives and business leadership coalitions.

Defining inclusive business and markets

Inclusive business has been defined by UNDP, The World Business Council for Sustainable Development and others as: business models that include the poor as producers, employees, and consumers in an economically viable manner. They have an explicit focus on creating both business value and development impact.[5,6]

Inclusive business models offer mutual benefits in a number of ways. As the IFC and Harvard Kennedy School have argued,

> "Inclusive business is interesting for companies because it can offer new opportunities for innovation, growth, and competitiveness, and facilitate better risk management and stakeholder engagement at the same time as achieving positive social and development impact. It is interesting for bilateral and multilateral donors, foundations, governments, and civil society organizations because it has the potential to drive development impact in self-sustaining, self-multiplying ways that do not require continuous infusions of aid or grant funding. And it is interesting for the poor because it brings greater access, choice, and opportunity in their lives and futures.'[7]

Inclusive business models and value chains don't happen in a vacuum. Private sector players must have the capacity and incentives to develop and operate inclusive business models. Similarly, the poor must have the capacity and incentives to participate in them. And both sides must be able to protect their rights in the transaction. Enabling environments are therefore required. Such enabling environments are increasingly labeled "inclusive markets" or "inclusive market systems" and include rules, supporting functions, and the institutions behind them.[8] They require a strong state with effective and accountable political, social and economic institutions and infrastructure. In addition to the essential role of government, public donors, philanthropic foundations, academic institutions and other civil society organizations all play a vital role in building these enabling environments.

Pathways out of poverty

People lift themselves and their families out of poverty in large part by participating in markets as producers, employees and consumers: earning income; gaining more affordable and reliable access to essential goods and services and to productivity enhancing inputs; building assets; and being able to exercise choice and voice in determining their futures. Regardless of whether these markets are local, national, regional or global or whether they are in mega-cities or rural villages, if they are efficient and inclusive they can play a crucial role in expanding the opportunity and access that are essential to alleviating poverty.

The challenges of building inclusive business and markets

Markets matter. Yet, in far too many situations around the globe they are inefficient, inequitable and inaccessible. They fail to work for the poor. Several billion people continue to live in extreme poverty because of a combination of organizational, market development and governance barriers. These barriers include lack of relevant market information about the poor, and lack of knowledge, skills, capacity, finance and infrastructure on the part of both the poor and the private sector actors interested in serving them, including large corporations. They also include legal and regulatory obstacles, lack of accountability, and weak administrative and institutional capacity on the part of governments.

These barriers increase the real and perceived risks and costs, and limit the incentives for private sector actors to build inclusive business models and markets. This is turn makes it difficult and costly, if not impossible, for the poor to access formal markets as producers, employees and consumers.

None of the barriers is insurmountable. But overcoming them requires creativity, technology, long-term commitment and a combination of competition and collaboration. Such approaches necessitate political and social interventions, as well as economic solutions. They require leadership and new modes of engagement from all major development actors and private sector leaders.



PART TWO:
PRIVATE SECTOR LEADERSHIP

There are many ways to segment the private sector – by industry, by firm size, by role played within specific value chains, and so forth. Regardless of segmentation, large corporations, 'high-impact' entrepreneurs and private financiers are three groups of private sector actor that play an essential catalytic, innovation and scaling role in building more inclusive business models and creating local wealth in developing countries.

Large corporations

The impact of large domestic and foreign corporations on poverty alleviation and development varies widely. It is driven by factors such as the company's industry sector, its size, business model, ownership structure, values and leadership. It is strongly influenced by local contextual and situational conditions, especially the capacity of other public and private actors. And it depends on the type of development interventions needed – whether increasing access to jobs, markets, technology, energy, water, health, housing and education, strengthening local institutions and infrastructure or improving accountability and public capacity. The motivations and drivers for corporate engagement in these activities also vary across industry sectors and on a company-by-company basis. In most cases they include some combination of harnessing business opportunities to create new value, managing risk to protect existing value, and adhering to corporate culture and values.

Regardless of this diversity, almost all large companies – whether domestic or foreign – have the potential to make a contribution to poverty alleviation, or at a minimum to avoid causing or exacerbating poverty, through the following three areas of business action:[9]

- ***Leveraging core business operations and value chains:*** The greatest, most sustainable contribution any company can make to poverty alleviation and development is to make investments and carry out its core business operations in a profitable, responsible and inclusive manner – aiming to optimize positive multipliers, minimize negative impacts, and proactively innovate to include the poor and drive green growth.

- ***Enhancing corporate philanthropy, volunteering and social investment:*** Leading companies are achieving greater business benefits and development impact by moving towards more performance-driven and competence-led approaches to their philanthropic and community engagement activities.

- ***Engaging in public policy dialogue, advocacy and institution strengthening:*** Companies, and their business associations, can also play a more progressive and proactive role in engaging directly with policymakers and public institutions to address complex development challenges.

BOX 1: The Corporate Contribution to Development

PARTICIPATING IN PUBLIC POLICY DIALOGUE, ADVOCACY AND INSTITUTION BUILDING

- **Tackle corruption and promote good governance**
- **Strengthen public institutions and administrative capacity**
- **Contribute to national development plans and poverty alleviation strategies**
- **Advocate for pro-development policy reform**

ENHANCING CORPORATE PHILANTHROPY, VOLUNTEERING AND COMMUNITY SOCIAL INVESTMENT

- **Align core competencies with specific development goals:**
- **Mobilize skilled volunteers for development projects**
- **Crowd-source solutions through online platforms**
- **Seed-fund innovation and entrepreneurship**
- **Strengthen the capacity of local leaders and institutions**
- **Connect humanitarian relief with long-term recovery and resilience**
- **Fund research and public awareness for development**

LEVERAGING CORE BUSINESS OPERATIONS AND VALUE CHAINS

Optimize the development impact of existing business operations

- Create decent jobs
- Produce safe and reliable products and services
- Generate local investment, income and taxes
- Invest in human capital and workforce development
- Support local enterprise development
- Transfer technology
- Implement global standards and business practices
- Build institutional and physical infrastructure

Promote responsible business standards and accountability

- Comply with national and international laws and regulations
- Support voluntary principles, codes and standards
- Spread international good practices along supply chains
- Engage systematically with key stakeholders
- Report publicly on environmental, social and governance (ESG) performance

Innovate to serve the poor through commercial business models

- Develop direct business linkages with small and micro-enterprises
- Gear product development and delivery to meet essential consumption needs
- Share intermediary platforms and networks to expand reach
- Invest in pro-poor science and technology research
- Converge solutions to poverty alleviation and climate change
- Harness consumer spending in wealthy markets

Source: Adapted from Nelson, Jane. *Business as Partners in Development: Building wealth for countries, companies and communities*. New York: The World Bank, UNDP and IBLF, 1996; Nelson, Jane. *Building Partnerships: Cooperation between the United Nations system and the private sector*. New York: United Nations, 2000.

'High-impact' entrepreneurs

Throughout history, entrepreneurship has been one of the driving forces of innovation, wealth creation and social transformation in every successful economy. Yet, until recently, targeted recognition of and support for 'high-impact' entrepreneurs and the systems that nurture them has been missing in most international development programs and developing country poverty alleviation strategies. Organizations such as the Kauffman Foundation, the Global Entrepreneurship Monitor, Ashoka, the Schwab and Skoll Foundations, Monitor Group, Endeavor, Dalberg, Allworld Network and the Aspen Network for Development Entrepreneurs have made a strong case for focusing on these entrepreneurs above and beyond supporting small and medium enterprises more generally.[10]

These 'high impact' entrepreneurs are individual 'change-agents' and innovators who are either commercial or social entrepreneurs and who either lead their own enterprises or play leadership roles within larger corporations and networks. They share the ability to grow enterprises and create value, spur innovation in products, services, technologies and business models, and cross traditional boundaries. In many cases they play a vital intermediation role between the poor and formal markets. The leaders among them aim for and help to achieve system-wide transformation in the sectors or locations in which they operate.

The following three groups of 'high-impact' entrepreneurs have a particularly important role to play in driving poverty alleviation and more sustainable development:

- ***Local 'opportunity' entrepreneurs:*** These include established entrepreneurs as well as high-potential start-ups that have created commercially viable for-profit enterprises, but also have a commitment and capacity to support broader development goals. Growing attention is being focused on supporting women entrepreneurs and youth entrepreneurs who can play a vital role in generating income and livelihood opportunities while also addressing broader development goals.

- ***Social entrepreneurs:*** Social entrepreneurs have an explicit social or environmental mission and use innovative, often market-based approaches to achieve impact at scale. They assume a variety of legal and operational models from enterprising nonprofit entities that have a self-financing component, to for-profit social businesses and hybrid enterprises that combine both for-profit and nonprofit legal models.[11]

- ***Social intrapreneurs:*** These are individuals working within large companies or development institutions who are catalyzing, starting and/or scaling inclusive business models, innovative new approaches and partnerships to support poverty alleviation.[12]

In addition to the organizations listed above, initiatives and prizes such as the World Bank's Development Marketplace, Ashoka's Changemakers, the Africa Diaspora Marketplace, the World Challenge competition and the TED Awards, are providing useful platforms and online communities to identify and support 'high-impact' entrepreneurs and to help them scale their impact.

Private financiers

The third group of key private sector actors is private financiers – in particular, institutional investors, banks, insurance companies, private equity firms, angel investors and for-profit financial intermediaries. A key trend driving private financing for poverty alleviation is the evolving field of what is variously termed impact investing, socially responsible investing, and blended value capital – the allocation of capital in a manner that explicitly aims to generate social and/or environmental benefits in addition to financial returns.[13] Four categories of financial services and intermediation where private financiers can play a particularly important role in raising and allocating capital that is targeted specifically at poverty alleviation and other key development goals are as follows:

- ***Delivering microfinance services to the poor:*** Nearly three billion people have little or no access to formal financial services such as savings, loans, insurance and money transfers, which can enable them to increase their incomes and improve their quality of life and ability to withstand shocks. The transformational convergence between information technologies and financial intermediation is facilitating new approaches that offer scalable market-based solutions to deliver these solutions directly to the poor.

- ***Investing in small and growing business:*** Access to growth capital and the cost of such finance – whether debt, equity and quasi-equity – remains a major obstacle for most small and medium enterprises in developing countries. Private financial institutions can help to tackle this challenge and to build the platforms and intermediary organizations that are needed to serve the so-called 'missing middle'.

- ***Scaling emerging market 'champions':*** Private equity firms and other investors can help the domestic business champions in developing countries to become regional and global players, especially in sectors that are most pertinent to poverty alleviation such as physical and communications infrastructure, agriculture, healthcare and financial services. Less than five years after being established in 2004, the Emerging Markets Private Equity Association has more than 250 members, with nearly US$500 billion under management focused on high-potential companies in Africa, Asia, Europe, Latin America and the Middle East. Over 75 percent of these private equity firms or funds have been established since 2000.

- ***Leveraging additional private finance for poverty alleviation:*** In addition to providing business finance for private sector actors in developing countries, from micro-entrepreneurs to emerging market champions, private financiers can also play a vital intermediation role in increasing the efficiency, quality and quantity of private finance being targeted at other development goals. They can do so, for example, by syndicating individual donors, investors and remittances. They can also improve the environmental, social and governance (ESG) performance of institutional investors, banks and insurers that are operating in developing countries. There is also the opportunity for private financiers and corporations to participate more directly in innovative global financing mechanisms to tackle challenges such as climate change and global health.



PART THREE:
OTHER ACTORS ENABLING INCLUSIVE BUSINESS AND MARKETS

Other actors play a crucial role in building more inclusive and sustainable markets and encouraging private sector investment and innovation in these markets. Their role is especially important in helping to overcome the organizational, market development and governance barriers that impede the poor from engaging directly and fairly in formal markets and that make it too costly or risky for private sector companies, entrepreneurs and financiers to serve these markets. They can increase the economic viability, the political legitimacy and the social acceptance of inclusive business models and value chains, thereby making them more effective and scalable. The following actors have an especially important role to play:

- **Governments**
- **Bilateral and multilateral donors and development finance institutions**
- **Philanthropic foundations**
- **Trade unions**
- **Non-governmental organizations**
- **Academic and research institutions.**

There is enormous variety in the roles that different actors can play. Four broad types of intervention that have relevance for most actors, and that can make a particularly important contribution in overcoming barriers to more inclusive and sustainable market-based approaches, include the following:

Working directly with the poor to enhance their capacity and voice as producers, employees and consumers

Governments, development agencies, foundations, trade unions, and other civil society organizations can work directly with the poor to enable them to become more organized and better equipped as formal sector economic actors, both individually and collectively. They can undertake a variety of interventions or projects that make it easier for a specific group of low-income producers, consumers or employees to engage in a particular market or value chain in a manner that protects their rights while also expanding their opportunity and access. Undertaking more rigorous research and analysis on the poor as economic actors and on their needs, aspirations, capacities, constraints and resource management strategies is another area where other actors are starting to play a vital role.

Interventions to support **low-income producers** include helping to establish and strengthen producer associations, cooperatives and other aggregator models to strengthen their economic effectiveness and bargaining power and their political voice. Interventions can also include the

> **Governments, development agencies, foundations, trade unions, and other civil society organizations can work directly with the poor to enable them to become more organized and better equipped as formal sector economic actors, both individually and collectively.**

provision of market-oriented microfinance and small business financing, technology, infrastructure, market information and other business development services, technical assistance, agricultural productivity inputs and extension services for small and micro-enterprises and smallholder farmers.

Public awareness and consumer education campaigns can help **low-income consumers** in assessing the relative costs and benefits of essential products and services provided by private enterprises and in making well-informed purchase decisions. Consumer financing mechanisms, remittances, and conditional cash transfer programs can also help low-income consumers overcome the 'poverty penalty' related to accessing certain essential products and services, especially in the areas of education and health.

Programs providing vocational training and workforce development opportunities that meet labor market needs in clearly identified industries can empower the poor as **potential employees** in the formal sector. Global framework agreements with trade unions and initiatives to build the capacity of factory and farm managers and workers can also help to improve working conditions and labor standards for low-income workers.

Working directly with private sector companies, entrepreneurs and financiers to start and scale inclusive business models

Governments, development agencies, foundations, trade unions and other civil society organizations can work directly with individual private sector enterprises or with groups of private enterprises and business associations to help kick-start and facilitate their engagement in inclusive business models.

This can include the creation of challenge, innovation or replication funds, public-private investment vehicles, and matching grants, loans, equity, guarantees and other risk sharing tools. It includes joint investments in scientific research and in technology development and transfer. And it can include prizes to encourage, promote and help to finance innovative new technologies, products, services and business models.

Other actors can play a vital role in providing independent, evidence-based analysis and knowledge management of what works and what does not work in starting and scaling inclusive and sustainable business. They can undertake third-party evaluation, monitoring and endorsement of individual business models and projects, assessments of the broader impact of business on development, and competitive rankings and indices of corporate performance within specific industries or in relation to specific development challenges. They can support programs that raise awareness and spread examples of responsible business practices and inclusive business models. And they can provide management tools, training and technical assistance to build the capacity of business people to deliver viable market-based solutions to development challenges and to partner effectively with other actors in this process.

Other actors can also research and deliver market information on particular low-income markets that individual companies may not otherwise undertake to research on their own, thereby overcoming at least some of the market intelligence and information barriers to engaging with these markets.

> **Governments, foundations and certain non-governmental organizations can play a vital matchmaking, brokering or intermediation role in bringing together diverse actors, especially private sector competitors, to solve complex development challenges.**

Convening and coordinating private enterprises and other development actors at scale

Governments, foundations and certain non-governmental organizations can play a vital matchmaking, brokering or intermediation role in bringing together diverse actors, especially private sector competitors, to solve complex development challenges. This can be particularly effective when it comes to building multi-stakeholder alliances and convening and coordinating the activities of key actors along a particular value chain or within a particular location, cluster or corridor. It can also be helpful in establishing voluntary, industry-wide initiatives to improve corporate accountability and transparency in areas such as human rights, labor, the environment and anti-corruption.

In the case of convening competitors from the same industry sector, the role of other actors can be invaluable in terms of providing a more 'neutral space' and a legally acceptable environment for competitors to come together to jointly solve systemic challenges. Whether these challenges involve raising the bar on responsible business standards or making specific value chains more inclusive and sustainable, they cannot be addressed without better coordination, often between competing interests.

Improving the broader enabling environment for more inclusive private sector development

Governments in particular have a responsibility for improving the overall framework conditions or enabling environment for inclusive and sustainable markets and business.

At the international level, this calls for reform in international institutions and global governance structures to better accommodate the rise of emerging market powers and non-state actors as important players in global governance. It also calls for ongoing commitment to international frameworks that enable better coordination of aid, trade, investment and intellectual property regimes, and better integration of the global development and climate change agendas. And it requires ongoing efforts to promote universal norms and standards in areas such as human rights, labor, the environment and anti-corruption. This includes working with national governments, business associations and other actors to ensure such standards are implemented in practice on-the-ground in factories, farms and other workplaces and marketplaces around the world.

At a national level, creating an enabling environment includes the implementation of sound policies, regulations and rule of law; reliable public institutions and physical and information technology infrastructure; provision of social safety nets and welfare services; education and vocational training systems that generate a qualified labor force; and commitment to accountability and transparency around the use of public resources and the outcomes of public sector interventions. All of this is necessary to enable private sector development in general. At the same time, concerted efforts by governments and other actors in cooperation with the private sector itself need to be targeted more explicitly at the inclusion and distribution aspects of these broad enabling environment activities in order to "make markets work for the poor".



PART FOUR:
COLLABORATIVE MODELS TO SCALE AND SUSTAIN IMPACT

Ultimately no matter how inspiring the examples of individual pioneers, projects and programs in the private sector they are currently nowhere near sufficient to achieve the scale and systemic transformation required to help four billion people lift themselves out of poverty. Dramatically increasing the quantity and quality of inclusive business models and private sector engagement will require a dynamic combination of both competition and collaboration.

The need for competition and collaboration

Within an enabling policy environment, competition between private enterprises has the potential to play a powerful scaling role. Competition spurs investment in research and innovation, and can facilitate the development, dissemination and replication of new technologies in sectors that are important for poverty alleviation such as agriculture, food and nutrition, financial services, information and telecommunications, healthcare, energy, clean water and sanitation.

The search for greater competitiveness and growth can expand opportunity and access to new suppliers, low-income customer segments, and lower cost labor in developing countries. And competition between firms can ensure continual improvement in the provision of products and services, whether in terms of their ability to meet the needs of low-income producers and consumers in ways that are commercially viable or to meet these needs in a more environmentally sustainable manner.

While many more examples of competitiveness-driven business engagement in poverty alleviation are emerging, they remain relatively few in number, small in scale and overly dependent on individual leadership. Despite a few notable areas of transformational impact such as mobile telecommunications, scale is impeded by the organizational, market development and governance obstacles outlined in Part One of the report. Individual companies acting alone cannot overcome these barriers.

New collaborative approaches are needed to overcome the barriers and to institutionalize, scale and replicate the pioneering efforts that are underway. Such collaborative action is starting to happen and it represents one of the most significant and high-potential shifts in international development.

BOX 2: Examples of collaborative models to overcome key barriers

KEY BARRIERS TO BUILDING MORE INCLUSIVE AND SUSTAINABLE MARKETS	COLLABORATIVE SOLUTIONS BEYOND INDIVIDUAL FIRMS
Organizational Barriers ● Inadequate organizational structure and capacity ● Lack of leadership vision or support for new approaches ● Traditional mindset and culture ● Inadequate skills or competencies of relevant staff ● Lack of dedicated staff time and resources ● Lack of metrics, evaluation approaches and inappropriate performance rewards or lack of internal incentives for social innovation and risk-taking.	**Business Leadership Coalitions and Industry Associations** Most organizational barriers need to be addressed at firm-level, but senior-level business coalitions – within sectors and across sectors – can help to raise awareness among top managers, profile best practices, share lessons, provide training and technical assistance etc. **Collectively Developed Measurement Frameworks** Initiatives such as the United Nations Global Compact, WBCSD-IFC 'Measuring Impact' Framework, Global Reporting Initiative, Global Impact Investing Network, other stock exchange and investor platforms, and numerous sector-based guidelines and standards are helping to establish common metrics and measurement frameworks.
Market Barriers ● Lack of access to appropriate and affordable finance and risk management options ● Lack of relevant market information and price signals ● Misperceptions of risks ● Inadequate institutional and physical infrastructure ● Lack of a supportive enabling environment – weak rule of law, poor regulatory frameworks, lack of property rights, corruption etc. – which in turn is often the result of the governance gaps outlined below.	**Joint Financing and Risk-Sharing Mechanisms** ■ Sector-based innovation and challenge funds ■ Targeted R&D facilities for essential pro-poor products and services ■ Public-private global program funds ■ Investor networks ■ Risk guarantee funds and initiatives **Aggregating Mechanisms and Intermediary Platforms** ■ *Poor as Producers:* Common supplier or producer databases; enterprise support centers; producer cooperatives; supplier collection centers and warehouses; shared information and communications technology platforms; brokerage, matchmaking and peer networking events and platforms; guaranteed or advance purchase agreements. ■ *Poor as Consumers:* Leveraging existing physical distribution infrastructure and consumer or social networks; information technology platforms; public awareness and consumer education initiatives; demand pooling mechanisms; pooling of consumer risks and assets. ■ *Poor as Employees:* Joint workforce development initiatives; vocational training institutions and on-line platforms; shared labor market databases. **Field-Building Initiatives** ■ Capital market development for key asset classes and/or sectors ■ Creation of industry standards, buying guidelines, certification schemes etc. ■ Joint research and technical assistance platforms.
Governance Barriers (at local, national and global level) ● Weak governance – low public administrative capacity and weak public institutions ● Governance that doesn't serve the poor – policies and regulations that are either unfair, uncertain, uncoordinated or inappropriate and inflexible ● Bad governance – corruption, conflict, cronyism and lack of human rights, political rights and accountability	**Mutual Accountability and Transparency Initiatives** ■ Sector-based codes, standards and transparency initiatives within industries and key development sectors ■ National or Regional – NEPAD African Peer Review Mechanism; Millennium Challenge Corporation ■ Anti-Corruption Initiatives and Integrity Pacts **National or Sector Indicators and Rankings** ■ World Bank's *Doing Business initiative* ■ UNDP's *Human Development Index* ■ Corporate Responsibility Indices – such as Responsible Investment Indexes (FTSE4Good, Dow Jones Sustainability etc.) and Access to Medicine Index **Collective Business Engagement in Public Policy Dialogue** ■ Targeted, pro-poor business leadership coalitions ■ Representative business bodies/trade and industry associations **Joint Initiatives to Strengthen Public Institutions** ■ Shared training, technology and capacity-building platforms ■ Common public advocacy platforms targeted at specific development issues in donor countries and developing countries.

Firm-level partnerships, business leadership coalitions and multi-stakeholder alliances

New models of collaboration include firm-level partnerships between individual companies and either existing value chain partners or non-traditional allies. These one-to-one partnerships focus on jointly persuing development goals on either a competitive or philanthropic basis.

More importantly in terms of achieving scale and systemic impact has been the emergence of business leadership coalitions and multi-stakeholder alliances that bring together larger groups of actors to tackle a particular development challenge. These alliances may be a group of progressive companies, often competitors, working collectively within a single industry sector or location. They also include cross-sector coalitions of private enterprises, governments, foundations and other development actors. In a number of cases technology-enabled platforms or networks play a crucial convening and scaling role in such multi-stakeholder alliances.

The report offers examples of five broad types of multi-stakeholder alliances categorized according to the challenge they have been created to address:

- **Making value chains more inclusive and sustainable** – sector-based alliances that aim to make value chains more inclusive and sustainable in key sectors, with a focus on three types of value chain that are especially significant in tackling poverty – food and agriculture; health; and financial services for the poor.
- **Implementing national and regional development priorities** – geographically focused alliances that aim to catalyze private investment and growth and to support integrated approaches to development in particular locations – local, national and regional.
- **Enhancing the effectiveness of humanitarian and social programs** – alliances that aim to ensure that philanthropic dollars, product donations and social investments are leveraged effectively.
- **Improving mutual accountability and transparency** – usually industry-focused global alliances aimed at improving corporate accountability for social and environmental impacts in developing countries.
- **Advocating for policy reform** – domestic cross-sector alliances between corporate leaders and non-governmental organizations can be effective in advocating for policy reform and encouraging targeted policy innovations both within donor governments and in developing country governments.

If effective, these systemic multi-stakeholder alliances can enable their participants to aggregate their resources, market power or political voice to achieve greater leverage, legitimacy and impact than any one actor or sector working alone. They are not a panacea and they are not easy to establish or sustain. Yet they represent a crucial area of innovation in both business and development.

BOX 3: Examples of multi-stakeholder alliances in action

Multi-stakeholder alliances demonstrate great variety in purpose, structure and governance, but most of them share common characteristics. They focus on tackling complex, often inter-dependent challenges and on achieving systemic change. They go beyond one-to-one partnerships to engage a larger number of stakeholders often across sectors. Many of them play an intermediation or convening role. And they usually aim to achieve impact at scale. Examples of multi-stakeholder alliances include the following:

Making value chains more inclusive and sustainable

Multi-stakeholder alliances are emerging in a number of key sectors, including the following that are especially important for poverty alleviation:

- **Health:** There are some 30 major global public-private partnerships mostly focused on addressing specific disease burdens and in a few cases addressing health systems challenges more broadly. A number of these have national-level networks or support system-wide interventions at the country level. Examples include the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Global Alliance for Improved Nutrition, the GAVI Alliance, the Malaria Vaccine Initiative, and the Global Business Alliance Against HIV/AIDS, TB and Malaria.
- **Food and agriculture:** Alliances include efforts to address food security broadly, such the Alliance for a Green Revolution in Africa (AGRA), the World Economic Forum's New Vision for Agriculture and the U.S.-led Feed the Future initiative. Others are focused on specific commodities, cash crops and value chains – aiming to either improve access to markets for smallholder farmers and/or improve the broader social and environmental impacts of food value chains.
- **Financial services for the poor:** Alliances include the Consultative Group to Assist the Poorest (CGAP), the Alliance for Financial Inclusion, the GSMA's Mobile Money for the Unbanked initiative and the Aspen Network for Development Entrepreneurs (ANDE). Although still at an early stage, a number of climate adaptation funds have the potential to support economic and environmental resilience of low-income communities and households.

Implementing national and regional development priorities

Alliances here range from investment climate facilities to development corridors and clusters and national and regional business leadership networks. Examples of initiatives to promote investment include the Africa Investment Climate Facility (ICF), the Middle East Investment Initiative and the Emerging Africa Infrastructure Fund. National alliances include Philippine Business for Social Progress, South Africa's National Business Initiative and Business Trust, the Kenya Private Sector Alliance, Tanzania's Kilimo Kwanza initiative and Brazil's Instituto Ethos and Fome Zero initiatives.

Enhancing the effectiveness of humanitarian and social programs

Alliances to improve coordination, manage costs and enhance effectiveness of humanitarian efforts include the Partnership for Quality Medical Donations, NetHope, the Emergency Capacity Building Initiative and the Global Education Initiative.

Improving mutual accountability and transparency

Accountability and transparency alliances include the Extractive Industries Transparency Initiative, the Kimberly Process and the Voluntary Principles on Human Rights and Security in the extractive sector; the Fair Labor Association and Better Factors initiative in the apparel sector; the Equator Principles focused on project finance and the Principles for Responsible Investment; the Marine Stewardship Council focused on fisheries; and many fair trade and sustainability certification programs in agriculture and consumer goods such as the Roundtable on Sustainable Palm Oil, the Better Cotton Initiative and the Sustainable Agriculture Initiative.

Advocating for policy reform

Alliances within both developing and donor countries can provide a useful platform to advocate for pro-poor and/or environmentally progressive policy reform.

In the United States, for example, these include the Initiative for Global Development, the U.S. Leadership Council, the Modernizing Foreign Assistance Network, and the Ad Council which have brought together corporate leaders with their NGO counterparts to raise public awareness on development issues and/or to advocate for aid and trade reform in the U.S. government.

In Europe the Climate Leaders Group, and Business Action for Africa, and the Africa Progress Panel play similar roles. The World Economic Forum and the World Business Council for Sustainable Development have also been active in supporting policy platforms on issues such as low-carbon growth and international trade.



PART FIVE:
RECOMMENDATIONS: AN AGENDA FOR JOINT ACTION

Concerted and collaborative leadership is essential. It is required on the part of all the key actors in business and development: companies, entrepreneurs, financiers, business associations, donor and developing country governments, foundations, academic and research institutes and non-governmental organizations. There are six broad areas where collaborative leadership will be especially important:

1 RECOMMENDATION:
Assess and promote empirical evidence

2 RECOMMENDATION:
Build capacity and knowledge

3 RECOMMENDATION:
Create innovative financial instruments

4 RECOMMENDATION:
Establish or strengthen market intermediaries and platforms

5 RECOMMENDATION:
Support multi-stakeholder alliances

6 RECOMMENDATION:
Advocate jointly for policy innovation

Market-based solutions are not a panacea. In some cases they are neither relevant nor appropriate. Yet, there is growing evidence that inclusive business and markets can play a crucial role in poverty alleviation. They can unleash the immense potential of scientific, technological and process innovation to tackle social and environmental problems. They can increase the cost effectiveness of each development dollar spent and enhance the sustainability of certain development interventions, allowing governments, foundations and non-governmental organizations to exit where appropriate. And through harnessing competitive market forces and/or collaboration they can accelerate the scaling of successful development solutions.

Collaborative efforts and multi-stakeholder alliances between the private, public and civil society sectors can be especially important in helping to make these market-based solutions more inclusive. There are enough emerging examples of the potential of these collaborative models to warrant ongoing analysis, investment and support by all key development and private sector actors. Many of these models offer fundamentally new approaches to business and development. In doing so, they also offer some of our greatest opportunities yet of enabling several billion people to lift themselves out of poverty.

1 RECOMMENDATION # 1: ASSESS AND PROMOTE EMPIRICAL EVIDENCE

There is a need for more and better empirical evidence on markets and models to include the poor. In terms of assessing the evidence for inclusive business and markets there are emerging examples and opportunities for more collaborative research efforts in the following areas:

- Improve market research and information on the poor
- Understand and disseminate the lessons of what works and what does not in starting, sustaining and scaling inclusive business models
- Measure the financial, social and environmental performance of inclusive business models
- Assess the corporation's overall 'development footprint' or multipliers.

Research can be explicitly structured to bring together tools and methodologies from the fields of development and business. Research protocols can be developed that facilitate joint evaluation teams from different disciplines or sectors. Southern-based research institutes, consultancies and NGOs should be supported wherever possible to build local capacity to do this research and assessment work. Equally important is the opportunity to support emerging efforts that explicitly engage the poor in such assessments and evidence-building exercises. Such efforts can serve not only to improve the quality of information and feedback obtained, but also to build local skills and capacity at the community and operational level. And they can help to build trust and relationships that can strengthen the effectiveness of the business models themselves.

Once more empirical evidence is available, there are opportunities for researchers as well as donors and foundations to provide independent third-party endorsement of what works and what does not to key audiences in business, government and the general public.

2 RECOMMENDATION # 1: BUILD CAPACITY AND KNOWLEDGE

Two essential areas that require collaboration to enable inclusive business are:

- **Building skills, knowledge and capacity in the corporate sector:** For many companies, engaging in inclusive business models is a challenge due to lack of relevant skills, awareness and incentives within the company and/or lack of senior executive support. Collective efforts to build the awareness and knowledge of senior executives and key decision-takers can range from high-level engagement platforms to programs that directly expose business executives to development programs through dialogues, joint task forces and study visits. Joint efforts can also build the skills of and create incentives for intrapraneurs and practitioners within companies through experiential learning and immersion programs, internal and external challenge funds and awards programs, institutional study exchanges with key development partners, joint evaluation and monitoring teams, the development of toolkits, and the creation of dedicated business units.

- **Building capacity of the poor as economic actors:** The poor also need greater capacity and collective organizations to engage in formal markets. Being able to share the financial costs and technical assistance of such capacity building activities can help to make inclusive business models more viable. Such joint initiatives usually have public benefit as well as business benefit, justifying public sector or philanthropic participation. Donors, foundations and NGOs can create joint funding and capacity-building facilities. They can also establish or strengthen producer organizations, enterprise development intermediaries, common databases, workforce development initiatives, consumer education and awareness programs, financial and basic literacy efforts, and initiatives to empower girls and women as economic actors.

3 RECOMMENDATION # 1: CREATE INNOVATIVE FINANCIAL INSTRUMENTS

Blended value propositions and hybrid financing mechanisms are often required to enable inclusive business models. These combine different types and sources of capital with different investment horizons and performance requirements. Interesting models are emerging in the following areas and warrant particular analysis, financial support and collaborative effort:

- Challenge, innovation and replication funds for companies and entrepreneurs;
- Joint capacity-building funds for intermediary organizations;
- Global funds and public-private partnerships, especially in the areas of global health, education, food security and climate change. These offer particular opportunities to ensure greater integration between key issues such as agriculture, hunger, nutrition, health, energy poverty, climate adaptation and resilience, and the creation of livelihood opportunities for the poor.

New types of innovative financing facilities are also needed at the level of individual private sector and other development actors. Individual corporations, for example, can create internal innovation or social venture funds. Philanthropic foundations can make more effective use of their balance sheets through mission related or program related investing. Investors can establish targeted investment vehicles and public sector donors can create their own dedicated facilities to fund inclusive business models.

4 RECOMMENDATION # 4: ESTABLISH OR STRENGTHEN MARKET INTERMEDIARIES AND PLATFORMS

In almost all successful examples of making markets work for the poor, there are intermediary organizations or platforms that play vital roles in providing some or all of the following functions: identifying and brokering partnerships; mobilizing and allocating resources; managing communications and conflict resolution; monitoring performance and impact; ensuring a common advocacy voice; and spreading lessons, good practices and other useful information needed to overcome obstacles. Some of the intermediaries that need to be further strengthened, scaled and replicated include:

- **Intermediaries to support low-income produces, employees and consumers:** There are valuable lessons to be learned from the role of producer associations, cooperatives, microfinance intermediaries, small enterprise support centers, community-based organizations, social networks, and existing supplier and consumer networks of utilities and consumer goods companies as mechanisms that help the poor to aggregate their economic and/or political capability and voice. At the same time they can make it easier for larger private sector actors and other development partners to reach large numbers of people.
- **Corporate sector intermediaries:** The past decade has seen growth in the number of business leadership coalitions and networks that have been established to focus specifically on promoting corporate responsibility and supporting large companies to engage in global development activities.
- **Multi-sector convening platforms:** The World Economic Forum, Clinton Global Initiative and United Nations Global Compact are examples of platforms that convene top corporate leaders, entrepreneurs and financiers with leaders from other sectors to address specific development challenges. They achieve this through a combination of high-level meetings and action networks, and through targeted match-making and practical commitments that mobilize resources to tackle these challenges on-the-ground.
- **Online networks:** Rapid growth in the use of information technology and social networking capabilities has resulted in another useful form of intermediation and match-making for diverse actors interested in business and development and inclusive market approaches. There is potential for the creation and extension of more online networks and databases, including shared supplier databases and the mapping of inclusive business models and partners in specific sectors or locations.

5 RECOMMENDATION # 5: SUPPORT MULTI-STAKEHOLDER ALLIANCES

Multi-stakeholder collaborative initiatives can play a valuable role in achieving more systemic level change and transformation. In particular, they can help to:

- Make specific value chains more inclusive and sustainable;
- Implement national or regional development priorities;
- Enhance the effectiveness of humanitarian initiatives;
- Improve mutual accountability and transparency of development outcomes; and
- Advocate for policy reform and innovation.

These multi-stakeholder collaborative initiatives can take a variety of forms. These include informal networks and communities of practice, and formally established institutions or coalitions with their own dedicated secretariats and governance structures. They also include targeted 'innovation hubs' focused on a specific development challenge in a specific location or region. They are an evolving approach that requires ongoing assessment and engagement by all development and private sector actors interested in inclusive business and markets.

6 RECOMMENDATION # 6: ADVOCATE JOINTLY FOR POLICY INNOVATION

There has been relatively little analysis on policy innovations by developing country and donor governments that are specifically targeted at improving the enabling environment or providing incentives for private sector innovation and engagement in poverty alleviation. Building on the lessons of the World Bank's *Doing Business* project that benchmarks regulatory reform to support private sector development more generally, there is potential for greater action in this area. This could include more rigorous analysis and awareness-raising of different policy innovations. It could also include joint advocacy aimed at achieving specific policy reforms by specific governments or government agencies.

Areas that warrant collaboration include:

- **Making inclusive business easier:** Policy innovations by governments that either mandate or create incentives for private enterprises operating in a country to develop more explicit inclusive business models and/or that enable the emergence of new forms of social enterprise and social investment vehicle.
- **Legally empowering the poor:** Policy innovations by governments that increase the legal empowerment of the poor and their ability to organize more effectively as economic actors, whether as producers, employees or consumers.
- **Integrating private sector engagement into donor activities:** Policy innovations and initiatives by bilateral and multilateral donor agencies and development finance institutions to directly enable inclusive business models and markets, such as challenge funds and creation of dedicated partnership units.
- **Encouraging greater private sector flows to developing countries:** Policy innovations in developed countries that provide tax incentives and other tools to encourage companies, entrepreneurs, financiers, foundations and the general public in their country to get more directly engaged in global development either through trade and investment or via strategic global philanthropy and volunteering programs.

ENDNOTES

1. Sen, Amartya. *Development as Freedom*. Oxford University Press. Oxford: 1999.
2. Commencement Address at Harvard University made by Bill Gates, June 7th 2007
3. Brainard, Lael, and Chollet, Derek. ed. *Global Development 2.0: Can philanthropists, the Public and the Poor Make Poverty History?* Chapter 9: *Effecting Change through Accountable Channels* by Jane Nelson. Washington, DC: The Brookings Institution, 2008.

   See also: Hudson Institute. *2010 Index of Global Philanthropy and Remittances*. Washington DC: 2010. The Hudson Institute estimates that private capital investment, together with global philanthropy and remittances, accounted for 75 percent of the developed world's economic dealings with developing countries in 2009.
4. A comprehensive overview of this important trend is provided by: Conway, Gordon and Waage, Jeff. *Science and Innovation for Development*. UK Collaborative on Development Sciences. 2010
5. World Business for Sustainable Development. (2009) *Inclusive Business: Profitable business for successful development*. WBCSD and SNV Alliance for Inclusive Business, 2008

   See also: World Economic Forum. *The Next Billions: Unleashing Business Potential in Untapped Markets*. Geneva: 2009.

   Karamchandani, Ashish, Kubzansky, Michael, and Frandano, Paul. *Emerging Markets, Emerging Models. Market-based solutions to the challenges of global poverty*. Monitor Group: 2009.

   Rangan, V. Kasturi, John A. Quelch, Gustavo Herrero, and Brooke Barton, eds. *Business Solutions for the Global Poor: Creating Social and Economic Value*. Hoboken, NJ: John Wiley & Sons, Inc., 2007.

   Prahalad, C.K. and Allen L. Hammond. *Serving the World's Poor, Profitably*. Harvard Business Review 80(9): 48-57.

   Prahalad, C.K. and Stuart L. Hart. *The Fortune at the Bottom of the Pyramid*. Strategy + Business Magazine, First Quarter, no. 26 (2002).
6. United Nations Development Programme. *Creating Value for All: Strategies for Doing Business with the Poor*. New York: 2008.
7. Jenkins, Beth and Eriko Ishikawa with Alexis Geaneotes and John H. Paul. *"Scaling Up Inclusive Business: Advancing the Knowledge and Action Agenda."* Cambridge, MA: Harvard Kennedy School, Harvard University, 2010.

   See also: Jenkins, Beth. *Expanding Economic Opportunity: The Role of Large Firms*. CSR Initiative Report No. 17. Cambridge, MA: Harvard Kennedy School, 2007.
8. *A Synthesis of the Making Markets Work for the Poor Approach*. A publication finance by the UK Department for International Development (DFID) and the Swiss Agency for Development and Cooperation (SDC). 2008.
9. This framework is adapted from: Nelson, Jane. *Building Partnerships: Cooperation between the United Nations system and the private sector*. New York: United Nations, 2000.

   See Also: Nelson, Jane. *Economic Multipliers: Revisiting the core responsibility and contribution of business to development*. London: IBLF, 2003.

   Nelson, Jane. *Business as Partners in Development: Building wealth for countries, companies and communities*. New York: The World Bank, UNDP and IBLF, 1996.
10. For detailed definitions and analysis of key trend in the area of 'high-impact' entrepreneurs, see Kauffman Foundation (www.kauffmanfoundation.org); Endeavor (www.endeavor.org); and the Aspen Network of Development Entrepreneurs (www.aspeninstitute.org)
11. For definitions and analysis of key trends in the area of social entrepreneurship see: Center for the Advancement of Social Enterprise. *Developing the Field of Social Entrepreneurship*. Durham: Duke University Press, 2008.

    Elkington, John and Hartigan, Pamela. *The Power of Unreasonable People: How social entrepreneurs create markets that change the world*. Harvard Business Press, 2008.

    See also: www.ashoka.org; www.skollfoundation.org; www.schwabfoundation.org
12. *The Phoenix Economy. Fifty Pioneers in the Field of Social Innovation*. Volans: 2008

    See also: The Social Intrapreneur: a Field Guide for Corporate Changemakers. SustainAbility Skoll Foundation, IDEO and Allianz. London, 2008.
13. Monitor Institute. *Investing for Social and Environmental Impact: A design for catalyzing an emerging industry.* 2009.

    See also: World Economic Forum. *Private Investment for Social Goals: Building the blended value capital market*. World Economic Forum, 2005.

HARVARD Kennedy School
Corporate Social Responsibility Initiative

THE CSR INITIATIVE, HARVARD KENNEDY SCHOOL

Under the direction of John Ruggie (Faculty Chair) and Jane Nelson (Director), the CSR Initiative at Harvard's Kennedy School is a multi-disciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. It explores the intersection of corporate responsibility, corporate governance, and public policy, with a focus on the role of business in addressing global development issues. The Initiative undertakes research, education, and outreach activities that aim to bridge theory and practice, build leadership skills, and support constructive dialogue and collaboration among different sectors.

www.hks.harvard.edu/m-rcbg/CSRI

HARVARD Kennedy School
Corporate Social Responsibility Initiative

Harvard Kennedy School
Harvard University
79 John F. Kennedy Street
Cambridge, MA 02138
USA