

UNDP private sector activities for Global Compact networks

United Nations Development Programme

**GC Annual Networks Meeting
Bonn, 23 October 2008**

UNDP and the Global Compact working together

Global Compact:

- value platform for responsible business engagement
- multistakeholder forum for engagement at the local as well as the global level
- A global network of committed companies and other stakeholders

UNDP :

- Development network, expertise and presence on the ground
- Convening power
- Ability to link private sector related initiatives with broader national / local development processes (e.g. PRSPs etc).
- Currently facilitating over 40 networks in developing / emerging countries



Examples of UNDP activities of interest to the GC networks

Advocating

- GIM report: Creating Value for All: Strategies for doing business with the poor

Integrating

- Growing Sustainable Business

Measuring and Communicating

- Business Call to Action



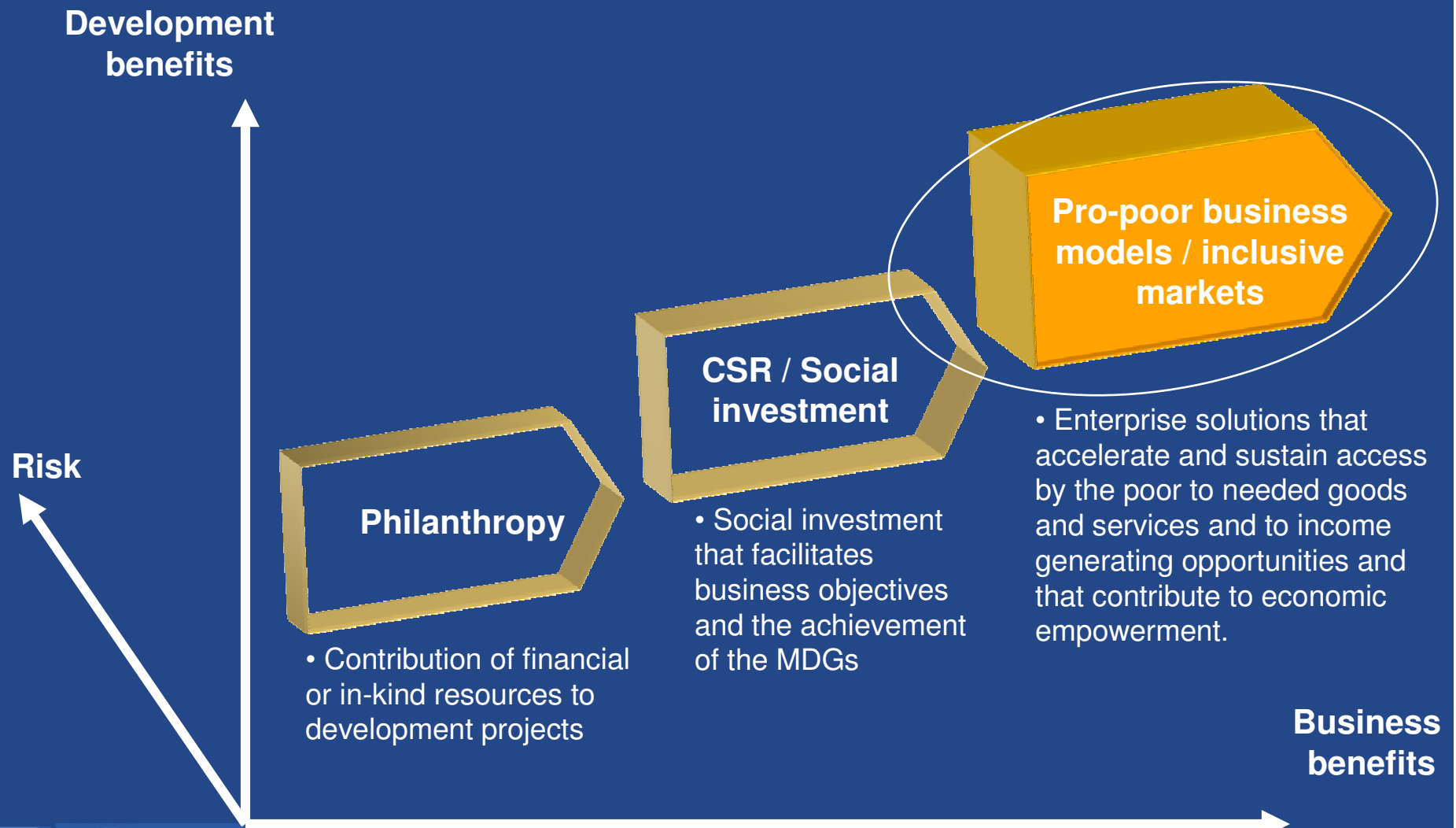
Insights from the first report of the UNDP Growing Inclusive Markets Initiative

CREATING VALUE FOR ALL: STRATEGIES
FOR DOING BUSINESS WITH THE POOR



<http://www.growinginclusivemarkets.org/>

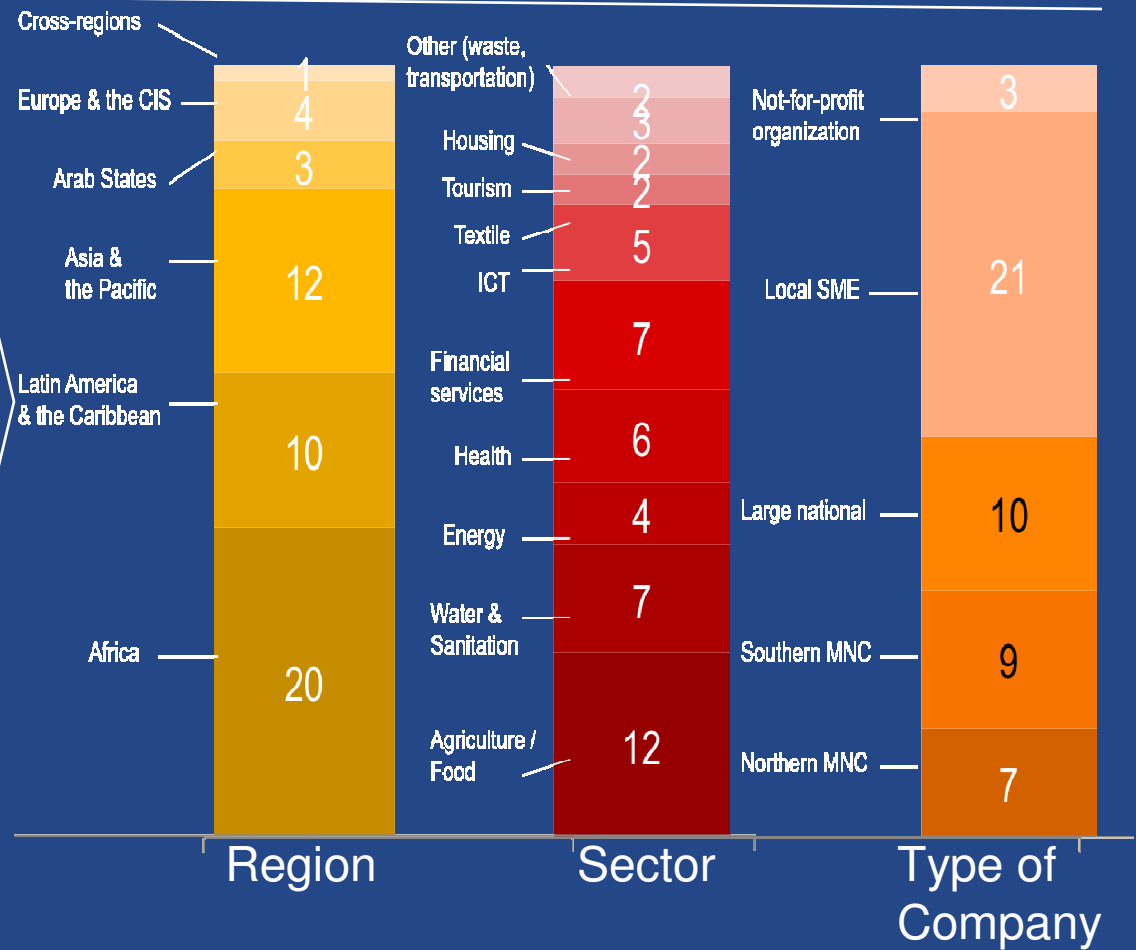
The Private Sector is emerging as a development partner – now on the threshold of a new phase: Core Business



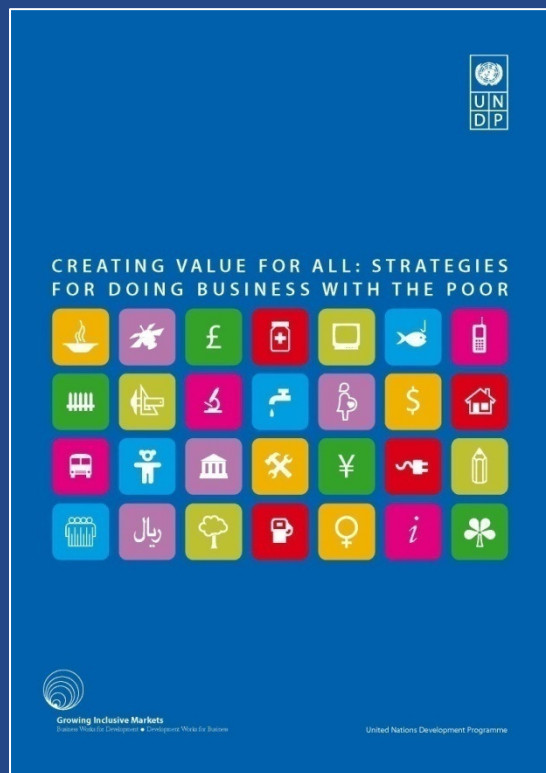
Empirical Research Approach

- Report findings are strictly based on empirical evidence
- 50 case studies on inclusive business models have been conducted by 18 case authors from the regions of the case
- Research question: how do businesses work successfully with the poor?

Empirical basis: 50 case studies



Report – Main Messages



- 1 Opportunities exist to build bridges between business and the poor and create value for all.
- 2 Capturing these opportunities is challenging due to five widespread market constraints in the rural villages and urban slums where the poor live.
- 3 Entrepreneurs have used five core strategies to overcome these constraints.
- 4 Business leaders, but also governments, donors, NGOs, communities and other stakeholders can take action to create value for all and make markets more inclusive.

1 Opportunities exist to build bridges between business and the poor and create value for all.

What are inclusive business models?

- Inclusive business models are ways of doing business that **build bridges** between business and the poor for mutual benefit.
- They include the poor **on the demand** side as clients and customers, and **on the supply side** as employees, producers and business owners at various stages in the value chain.

Value for business

- Generating profits
- Developing new markets
- Creating innovation
- Expanding the labour pool
- Strengthening supply chains

Value for the poor

- Meeting basic needs
- Enabling them to be more productive
- Increasing incomes
- Empowering communities

3 The GIM Strategy Matrix

Strategies

Constraints

	Adapt products and processes	Invest in removing market constraints	Leverage the strengths of the poor	Combine resources and capabilities	Engage in policy dialogue with gov'ts
Market information	Orange	Orange	Dark Red	Orange	Yellow
Regulatory environment	Dark Red	Yellow	Yellow	Orange	Dark Red
Physical Infrastructure	Dark Red	Orange	Orange	Dark Red	Yellow
Knowledge and skills	Yellow	Dark Red	Orange	Dark Red	Yellow
Access to financial services	Orange	Orange	Orange	Dark Red	Yellow

2 Capturing these opportunities is challenging due to five widespread market constraints

Constraint Area

Market Information

Regulatory Environment

Physical Infrastructure

Knowledge and Skills

Access to financial services

Explanation

- Businesses know too little about the poor, their preferences, resources, skills, etc.
- Rules and contracts are not enforced. People and enterprises lack access to the legal system. Regulation is not conducive to business.
- Lack of transportation infrastructure and networks for water, electricity, sanitation and telecommunications.
- The poor may lack the knowledge or skills to benefit from a product or service or participate in the supply chain.
- People lack access to credit, insurance, savings and transactional banking services.

Example

- THTF lacked information on the demand for computers in rural China.
- Manila Water lost much water due to illegal tapping of its pipelines.
- Smart found it hard to distribute its prepaid phone cards to areas without roads.
- Farmers did not know how to produce coco fiber materials for CocoTech.
- People could not finance the irrigation systems offered by Amanco

3 Entrepreneurs have used five core strategies to overcome these constraints.

Strategies

Adapt products and processes

Invest in removing constraints

Leverage the strengths of the poor

Combine resources and capabilities

Engage in policy dialogue with gov'ts

Explanation

- Avoid constraints through technological adaptations or business process redesign.
- Remove market constraints through own investments by maximizing private or leveraging social value.
- By engaging the poor as intermediaries and building on their social networks, a company can increase access, trust and accountability.
- Businesses collaborate with other organizations and pool resources
- Informing the policy making process can help to remove constraints on a broad scale.

Example

- Mobile banking uses wireless technology and operates without a grid or bank account.
- Denmore trains all employees in basic and job-related skills.
- CFW franchises shops and clinics in Kenya to people from poor communities.
- VCP works with ABN AMRO to provide credit to its eucalyptus growers.
- Tiviski works to change EU regulation to get access for its products.

Selected case studies : Access to clean water and electricity

- Amanz Abantu in South Africa reached rural poor consumers using smartcards
- Association of Water Operators, Uganda: private companies responsible for operations (distribution and maintenance), government owns the land and invested in infrastructure . Gov't introduced new bill on long term concession agreements
- Manila Water Company introduced water access to urban poor
- P&G: low cost water purification tablets in line with WHO standards
- Access to electricity , partnership between a local SME and EDF, low cost solar home systems and low – voltage diesel generators



Selected case studies : Inclusive Finance

- Barclay's expanded client base thru working with traditional Susu collectors in Ghana
- K-Rep Bank Kenya used group lending and thru investing in relationships with clients differentiated between groups , upgraded their rating, expanded business
- Peru : Milibanco offers services to rural poor with no previous credit history
- Kenya: M-Pesa in partnership with Vodafone, offering low cost services for money transfer (accessing remittances market)
- Smart Communication in Philippines offers wireless low cost communication for sending remittances (very low cost)



4 How to Support the Development of Inclusive Business Models

Business

- Create capacity and space for innovation
- Develop specialized investment tools
- Deepen community engagement
- Build capacity for collaboration
- Engage in policy dialogue

Government

- Remove constraints in the market environment
- Support and finance inclusive business models
- Strengthen institutional capacity for collaboration
- Establish dialogue platforms to engage business

Others

- Communities can organize to make it easier for businesses to engage
- NGOs can facilitate private sector engagement with communities, governments and other organizations
- Donors can raise awareness and provide funding



Follow up: promoting the report around the world

- The report launched in 26 countries and 17 are planning before end of the year (Africa 7, Arab States 1, Asia and Pacific 4, Europe and CIS 4, Latin America 1 and 9 OECD countries)
- To promote debate on core business contributions to development in national contexts, discussing specific opportunities for business, actions for governments on enabling regulatory environment and CSOs as partners
- Different models of launching the report: conference, press events, workshops, etc
- Is your network interested in launching the report ? 😊 If yes:
- **CONTACT US** : Afke Bootsman, UNDP HQ,
afke.bootsman@undp.org, tel. + 1212-906-6983

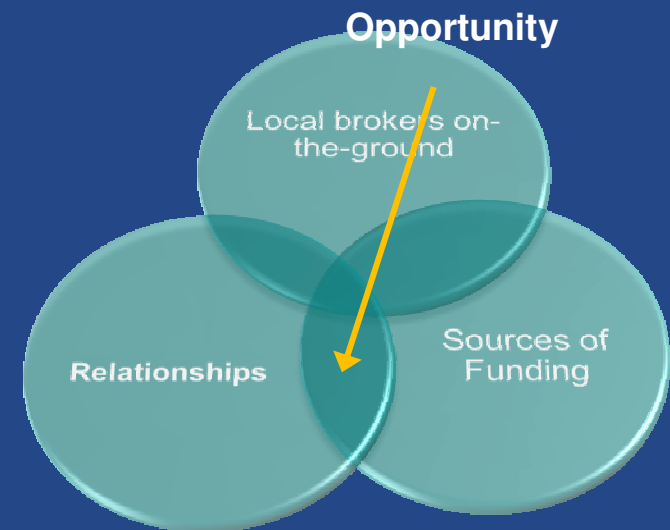


The Growing Sustainable Business (GSB) Initiative

- GSB is matchmaker platform that engages business in their core business to maximize development impact and poverty reduction in support of the achievement of the MDGs.
- GSB is operational in 15 countries in Africa, Asia and Eastern & Central Europe supported by UNDP Country Offices and a HQ Team;
- Works with more than 50 local and international private sector partners, from medium-sized companies to multinationals and well as UN agencies and donors

Service offering:

- **Local brokers on-the-ground:** GSB brokers relationships with lead companies, matchmaking with local government, business and NGOs, helps to resolve political barriers and assists with project preparation
- **Information:** brokers assist with business model development, provide technical assistance, market and legal environment assessments;
- **Sources of Funding:** GSB co-funds feasibility studies with lead companies and bridges access to other sources of finance



Integrating the Poor as Consumers: ANZ Bank (Fiji)

Lead company: ANZ Bank

Innovation: Low-cost business model to reach rural communities with financial services

Investment: US\$610,000 from ANZ Bank to reach 140,000 potential clients via a rural banking operation with a fleet of 6 mobile banks

Challenges

➤ **Knowledge:**

Low financial literacy by rural clients

➤ **Physical Infrastructure:**

High cost of traditional branch network model

- Low-density client base dispersed over large area
- Lack of infrastructures

➤ **Regulatory Environment:**

Poor excluded by the requirements to open a bank account

Solutions

➤ **Collaborate:**

Financial literacy training by UNDP and partners

➤ **Adapt Products:**

- Use mobile banking units to reduce delivery costs
- Design fit-for-purpose business model
 - Visit village every 3 weeks
 - Simplified banking products

➤ **Contribute to Policy Change:**

Reduced collaterals and tax rebate to financial institutions that extend services to rural areas

Business results (Year 1)

- 40,000 new customers previously un-banked
- Introduction of additional products, such as loans, foreign exchange, and overdrafts

Development results

- Rural economic development
- FJD\$57.50 average savings per customer
- Replication in other Pacific countries



Growing Sustainable Business: cases

Spar Supermarkets (ZAMBIA)

Nearly everything in Zambian Supermarkets is imported from South Africa. GSB, by facilitating alliances and providing Technical Assistance helps the company to source locally from poor small holder farmers (honey, fresh produce), thereby improving income of poor farmers. The company benefits from greater flexibility, reduced costs and more control over its supply.

GSB contribution	Expected Impact	Status
Facilitation of partnerships (matching TA providers and a commercial buyer)	Increased income for smallholder producers of dairy, agriculture, and fishery produce Skills upgrade Increased access to locally produced goods	Partners committed Pilot initiated First phase will focus on honey. Impact expected in the coming months.



Growing Sustainable Business: cases

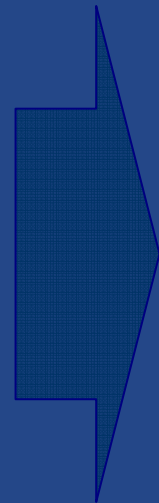
Expanding wine markets in Moldova

Lead company: Svorov, Pucari (Moldovan SME) and Domain Medada (Polish SME)

Innovation: Brokering new relationships to diversify wine markets

Investment: Modification of manufacturing practices for EU standards (US\$ TBD)

Problem	Solution	Business result
<ul style="list-style-type: none"> • Wine accounts for 1/3 of Moldovan GDP and is a major export for Moldova • Russia was a key importer, but in 2006 enacted a ban on Moldovan wine • The industry and the livelihoods of hundreds of small farmers are now at risk 	<ul style="list-style-type: none"> • GSB facilitated the linking of Moldovan wine producers (Svorov Vin and Purcari) with Domain Medada, a Polish importer and wine distributor • The Moldovan exporters have also changed manufacturing practices, such as bottle size, in order to comply with EU standards, hence expanding further future opportunities as a result of this project 	<ul style="list-style-type: none"> • As of 2007, 1.4 million bottles exported to Poland • Svorov Vin has contracts with 15 large firms (approximately 1500 farmers)
		<p>Development result</p>
		<ul style="list-style-type: none"> • New markets for small farmers create potential for increased income and greater income security



Growing Sustainable Business

Rural telecommunications Cambodia

Lead company: Village Phone Company (Local SME)

Innovation: New SME, multiple partnerships for rural telecommunications

Investment: Distribution and financing of phone kits (US\$ TBD)

Problem	Solution	Business result
<ul style="list-style-type: none"> Limited affordable access to telecommunication services in rural areas Rural communities lack access to information Farmers do not have access to information on market prices and demand prior to incurring the cost of traveling to market 	<ul style="list-style-type: none"> GSB brokered the partnership between GTZ, Nokia, network and micro-credit providers. GSB co-funded a feasibility study for expansion into rural Cambodia. Nokia financed the distribution of phone kits (cell phones, battery packs and solar chargers) to Village Phone Operators (VPOs) who provide services at subsidized rates for a 6 month trial Realizing the profit potential, VPOs access micro loans to purchase phone kits and SIM cards 	<ul style="list-style-type: none"> 200 kits distributed as of 2008 across four provinces New SME created – Village Phone Company New project spin off: Village Internet Kiosks <p>Development result</p> <ul style="list-style-type: none"> Village Phone Operators, a majority of whom are women, make additional income of US\$ 48 per year, while running other businesses in tandem Potential to bridge the digital divide for 8 million people in Cambodia



Growing Sustainable Business

Companies engaged

Value Chain

- Allanblackia in Tanzania (Unilever)
- Premium Coffee in Malawi (Mzuzu)
- Artemisinin in Madagascar (Bionexx)
- Pro Poor Sourcing in Zambia (Spar)
- Market Diversification for Moldovan Wine Producers
- Manufacturing in Bosnia (My Cycle)

Pro Poor Goods and Services

- Clean Water in Indonesia (Yamaha)
- Rural electrification in Madagascar (Project Lokoho)
- Rural telecommunications in Cambodia (Village Phone)
- Micro Finance in Turkey (TEB)
- Rural telecommunications in Tanzania (Ericsson)



Business Call to Action

A multi-stakeholder initiative that includes representatives from the business world, governments and international organizations which will join efforts to maintain the momentum of the BCTA

Outreach

- Raise awareness about the BCTA.
- Grow the number of companies involved
- Promoting private sector champions

Monitoring

- Monitoring of the implementation of commitments made by companies
- Accountability mechanisms, self and third party reporting

Capacity Building

- Collection of core business interventions in support of the MDGs
- Make lessons learnt available to companies

Vodafone – a mobile banking platform

➤ A BCTA example

Summary

- Vodafone has launched its breakthrough mobile money transfer service in Kenya, Afghanistan and Tanzania, with plans to launch in India within a year.
- Vodafone is exploring new markets in Sub-Saharan Africa and Central Asia.
- The M-PESA platform supports a range of new services: receiving international remittances, salary payments, merchant services and bill payments.

Business Benefit

- Expected growth: over 40 million customers.
- Pioneer advantage – MPESA is one of the first successful mobile banking examples that serves the low income populations also in rural areas effectively.

Development Benefit

- Financial services in remote areas for millions of people who otherwise would not have access
- Access to a safe and secure mechanism to transfer/remit/pay money from one part of the country to the other: lowering opportunity cost, allowing people to engage in other (economic) activities
- MPESA facilitates the opportunity to create small businesses

Contact Us

If you have questions, comments, ideas or want to collaborate with a UNDP initiative, please don't hesitate to contact us!

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Thank you!

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