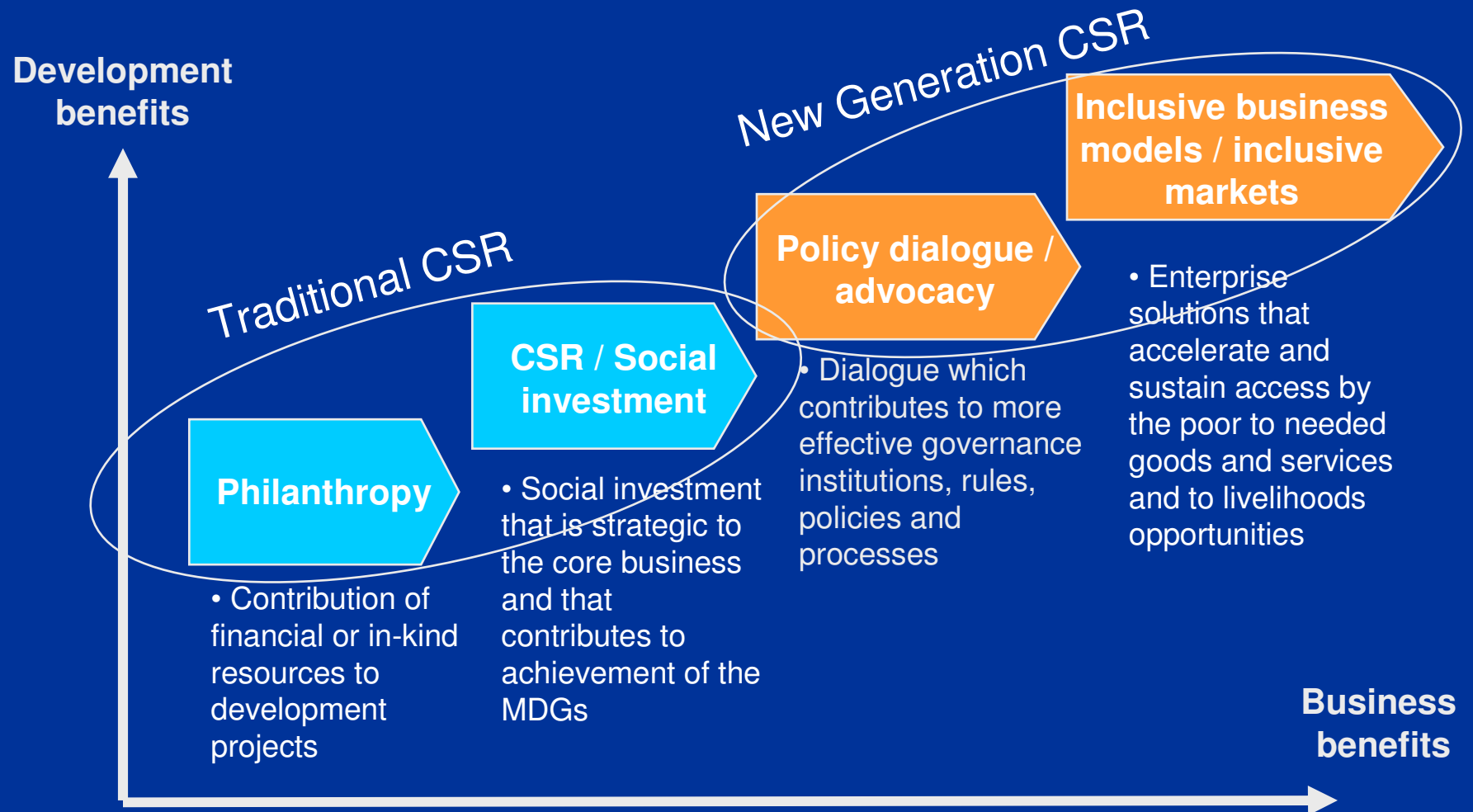


UNDP Core Business Practices in Action

Pascale Bonzom, UNDP, BRC
Istanbul, June 9 2009



... evidence is emerging that core business assets need to be deployed in order to achieve core business objectives while including the poor



Defining Inclusive Business Models

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

Promoting core business Contribution to Development: A 4 steps process

Identify opportunities

Understand constraints

Find solutions

Take action



More inclusive, sustainable markets

Promoting core business Contribution to Development – Step 1

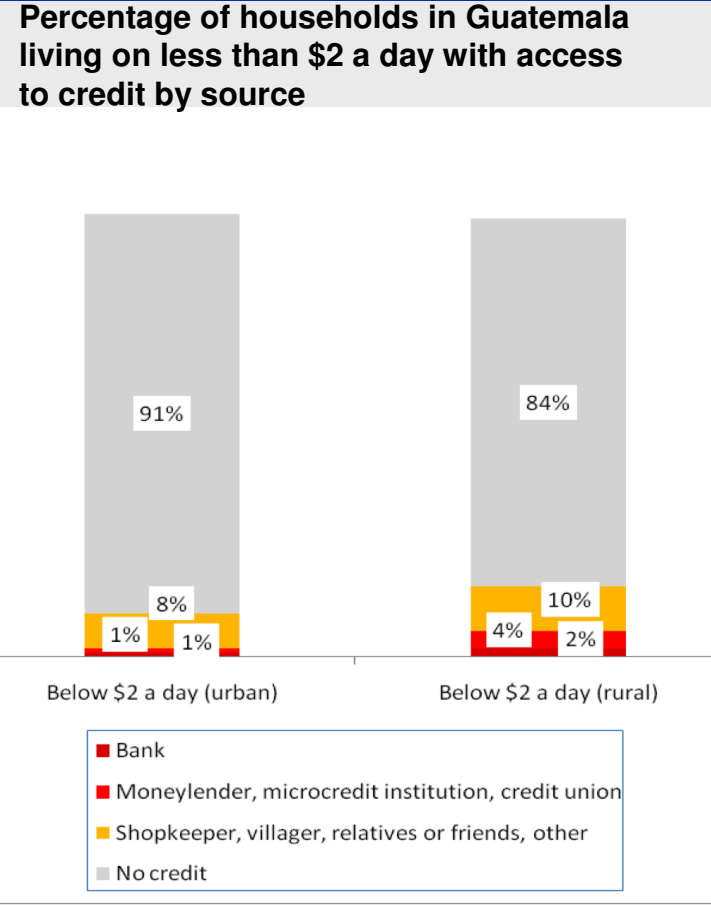
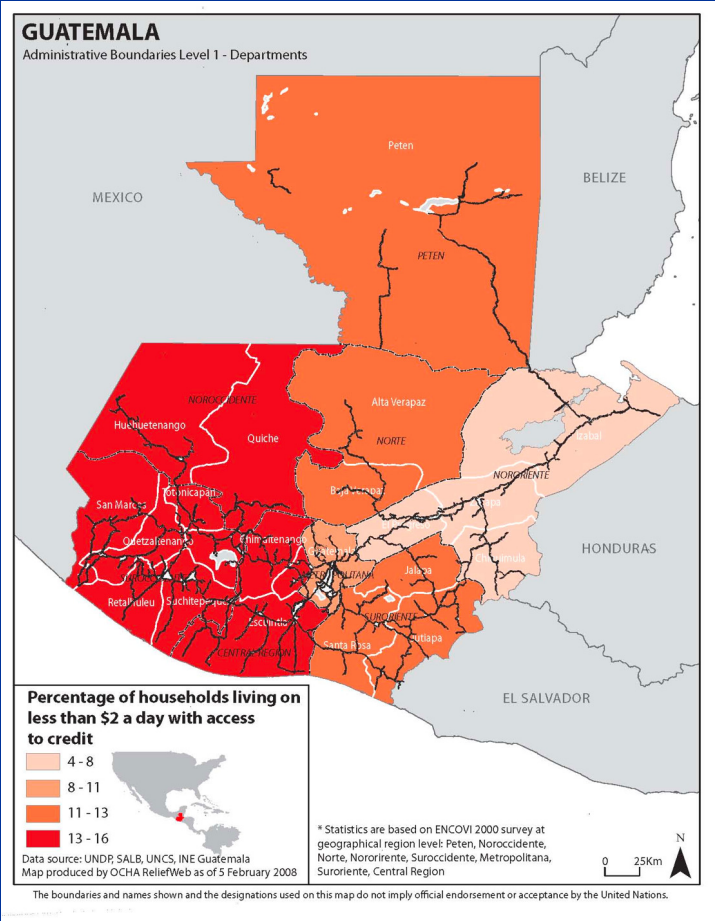
Identify opportunities



- Market heat maps
- Mobilize private sector
- Connect with key actors

Market Heat Maps – A tool to improve market information

Spatial maps on market access + Information on market structure



Promoting core business Contribution to Development – Step 2

Understand constraints

- Conduct/co-fund research on key constraints
- Organize multistakeholder dialogues



Promoting core business Contribution to Development – Step 3

Find solutions



- Use strategy matrix to find innovative solutions
- Co-Fund feasibility studies
- Help bridge access to finance
- Convene project alliance

The Strategy Matrix

	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

Promoting core business Contribution to Development – Step 4

Take action



- Broker necessary partnerships
- Support partnerships implementation
- Monitor and evaluate

Local Wool Sourcing in Moldova

➤ An inclusive market case study

Company: Dari Priodi and Toplu Yapa – wool collectors
Filatura Ungheni – yarn and carpet producer

Innovation: Development of a pro-poor supply chain

Challenge

- In 2006 Filatura Ungheni purchased 97% of its wool from abroad and only 3% from local sources
- Out of 10,000 sheep farmers in under-developed rural areas, around 2,000 in the supply chain
- Local wool did not meet quality criteria by Filatura Ungheni

Solution

- Broker approached Filatura, wool collectors as well as USAID (already working with Filatura) and brokered the idea of developing a local supply chain
- UNDP facilitated and co-funded 2 feasibility studies – one on wool sector in Moldova overall and the other on improving the quality of local wool
- UNDP facilitated access to working capital loan for wool collectors
- UNDP and Filatura initiated quality improvement of the wool produced by local farmers



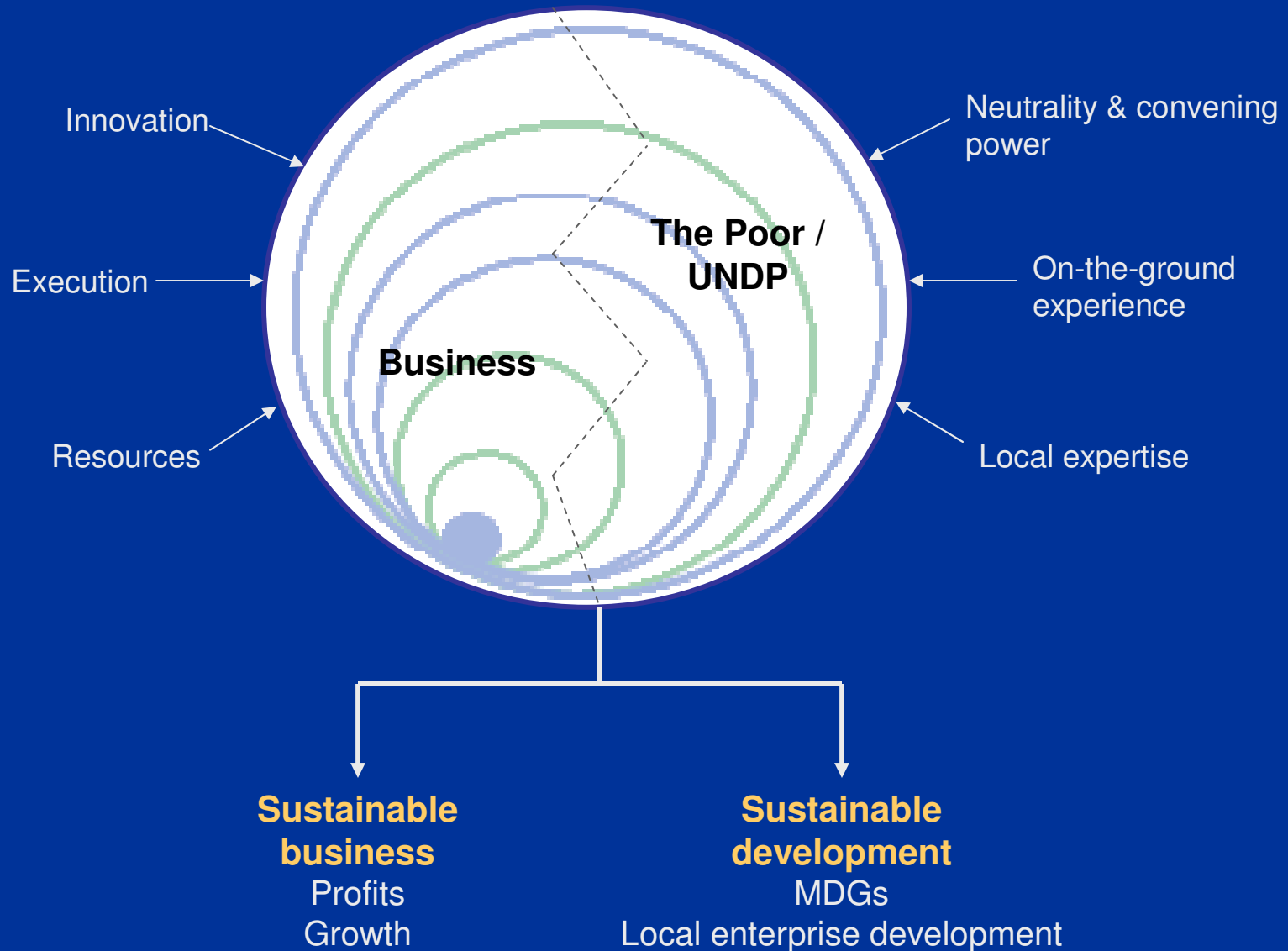
Development result

- Number of farmers involved in supply chain doubled
- Quality of wool led to a price increase from 10 Lei to 14 Lei/kg

Business result

- Filatura Ungheni purchases up to 20% of its wool from local sources, cost savings app. 1 mil USD
- Wool collectors gained access to working capital loan

CONCLUSION: A new model of inclusiveness with a double bottom-line

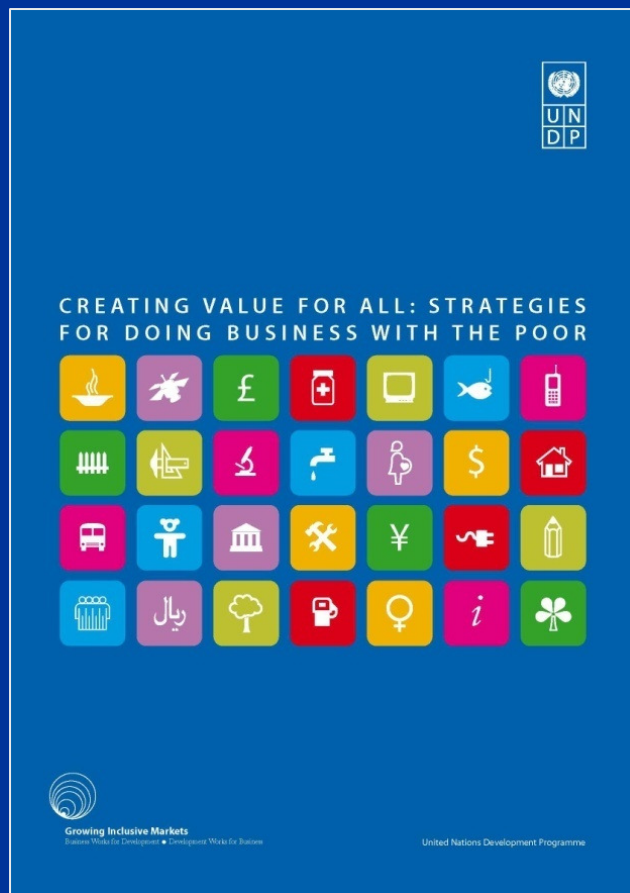


THANK YOU!

pascale.bonzom@undp.org

**UNDP Bratislava Regional
Center for Europe and the CIS**

Inclusive markets development – Research and advocacy



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.

Inclusive Market Development – 5 Key constraints

Constraint Areas

**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.

Inclusive Market Development – 5 Key strategies

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 that create public and private value
- Increase access, trust and accountability by engaging low-income people as intermediaries and building on their social networks
- Collaborate with other organizations and pool resources
- Contribute to the policy making process helps to remove constraints for systemic market development

Inclusive markets development – Delivery mechanism elements

- **On the Ground Broker:** matchmaking, convener of partners, problem solver and technical assistance provider
- **Business Outreach Coordinators:** strategic located around the world
- **Market Research Co-Financing:** co-funding of market research and value chain development studies
- **Technical Assistance Platform:** support of building needed capacity of local stakeholders, espec. MSMEs
- **Access to Policy Specialists:** with up to date knowledge of best practices (UNDP experts including on Value-chains, Public Private Partnerships, Energy and Environment)
- **Local Multi-Stakeholder Support** comprised of UNDP senior management, with membership from local government, private sector, civil society and donor agencies

Rural Electrification in Madagascar

➤ An inclusive market case study

Lead company: e8 lead by EDF, RWE & Hydro-Quebec and local Electricité de Madagascar (EDM)

Innovation: Small hydro-generators combined with differential pricing

Investment: US\$ 35.6 million (EUR 23 mm) in creating local generating capacity and infrastructure

Problem

- 8% rural electrification rate
- Required investment level too high to make project commercially attractive
- Ability to pay for energy services low

Solution

- Broker convened and facilitated collaboration between government, donors and private sector partners
- Selection of villages based on prospects for productive use of energy and sustainability
- e8 and EDM are creating a local independent power producer, Energie de Lokoho and a rural electricity service company - Lokoho Rural
- New technology (4 megawatt* small hydro generators) to leverage a slow-moving river in the area
- Tiered pricing model (government, SME, and village)



Business result

IRR is 17% (estimated repayment duration of 9 yrs)

Development result

- 60% reduction in cost of delivering electricity
- Access to energy has important impact on productivity and revenues for agricultural towns
- Leads to better access to basic services (education, health, water, telecoms), accelerated economic development in the region, reduction of diesel and forest wood use, resulting in improved health and a positive impact on climate change